NATIONAL BANK

REPORT TO SHAREHOLDERS FIRST QUARTER 2017

National Bank reports its results for the First Quarter of 2017

The financial information reported herein is based on the unaudited interim condensed consolidated financial statements for the quarter ended January 31, 2017 and prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). All amounts are presented in Canadian dollars.

MONTREAL, March 1, 2017 – National Bank is reporting net income of $497 million for the first quarter of 2017 compared to $261 million in the same quarter of 2016, a $236 million increase that is explained by the Bank's write-off of its equity interest in associate Maple Financial Group Inc. during the first quarter of 2016 and by net income growth generated by its main business segments. Diluted earnings per share stood at $1.34 in the first quarter of 2017 compared to $0.67 in the same quarter of 2016.

The Bank's 2017 first-quarter net income excluding specified items totalled $502 million, up 18% from $427 million in the first quarter of 2016, and first-quarter diluted earnings per share excluding specified items stood at $1.35, up 15% from $1.17 in the same quarter of 2016. The specified items are described on page 4.

"For the first quarter of 2017, the Bank's excellent performance was driven by strong revenue growth in both the Wealth Management and Financial Markets segments and by efficiency initiatives undertaken in the Personal and Commercial segment," said Louis Vachon, President and Chief Executive Officer of National Bank. "Furthermore, our credit quality remains solid and our Common Equity Tier 1 (CET1) capital ratio stood at 10.6%."

Highlights

(millions of Canadian dollars)			Quarter ended January 31
	2017	2016	% Change
Net income	**497**	261	90
Diluted earnings per share *(dollars)*	**$ 1.34**	$ 0.67	100
Return on common shareholders' equity	**18.4 %**	9.5 %	
Dividend payout ratio	**55 %**	51 %	
Excluding specified items[1]			
Net income excluding specified items	**502**	427	18
Diluted earnings per share excluding specified items *(dollars)*	**$ 1.35**	$ 1.17	15
Return on common shareholders' equity excluding specified items	**18.6 %**	16.6 %	
Dividend payout ratio excluding specified items	**48 %**	44 %	
	As at January 31, 2017	As at October 31, 2016	
CET1 capital ratio under Basel III	**10.6 %**	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-IFRS financial measures.

Personal and Commercial

- Net income totalled $213 million in the first quarter of 2017, up 18% from $180 million in the first quarter of 2016.
- At $755 million, the 2017 first-quarter total revenues rose $31 million or 4% year over year.
- Rising 6%, personal lending experienced sustained growth, largely due to mortgage lending, while commercial lending grew 3% from a year ago.
- The segment's net interest margin was 2.24% in the first quarter of 2017 versus 2.25% in the first quarter of 2016 as well as the preceding quarter.
- The segment recorded first-quarter provisions for credit losses of $52 million, $10 million less than in the first quarter of 2016.
- The 2017 first-quarter non-interest expenses were down 1% year over year.
- At 54.6%, the efficiency ratio improved from 57.5% in the first quarter of 2016.

Wealth Management

- Net income totalled $101 million in the first quarter of 2017, a 31% increase from $77 million in the same quarter of 2016.
- The 2017 first-quarter total revenues amounted to $397 million compared to $356 million in the first quarter of 2016, a $41 million or 12% increase owing to growth across all of the segment's revenue categories.
- The 2017 first-quarter non-interest expenses stood at $259 million compared to $251 million in the first quarter of 2016.
- The efficiency ratio excluding specified items(1) was 63.9%, an improvement from 68.2% in the first quarter of 2016.

Financial Markets

- Net income totalled $183 million in the first quarter of 2017 compared to $4 million in the same quarter of 2016, an increase explained by the write-off of the Bank's equity interest in associate Maple Financial Group Inc. during the first quarter of last year.
- The segment's first-quarter net income excluding specified items(1) totalled $183 million, up 23% from $149 million in the first quarter of 2016.
- Total revenues on a taxable equivalent basis and excluding specified items(1) amounted to $419 million, a $71 million year-over-year increase driven primarily by trading activity revenues and financial market fees.
- The 2017 first-quarter non-interest expenses stood at $170 million, a $26 million year-over-year increase associated with revenue growth.
- The efficiency ratio was 40.6% compared to 41.4% in the first quarter of 2016.

U.S. Specialty Finance and International

- Net income totalled $38 million in the first quarter of 2017 compared to $40 million in the same quarter of 2016.
- The 2017 first-quarter total revenues amounted to $118 million, a $10 million year-over-year increase owing mainly to the revenues generated by the Advanced Bank of Asia Limited subsidiary.
- At $56 million, the 2017 first-quarter non-interest expenses rose $8 million year over year.

Other

- The *Other* heading posted a 2017 first-quarter net loss of $38 million versus a net loss of $40 million in the same quarter of 2016. This change essentially reflects a greater contribution by treasury activities, partly offset by higher non-interest expenses.

Capital Management

- As at January 31, 2017, the Common Equity Tier 1 (CET1) capital ratio under Basel III was 10.6% compared to 10.1% as at October 31, 2016, an increase resulting essentially from net income, net of dividends, common share issuances under the stock option plan and remeasurements of the pension plans.
- As at January 31, 2017, the Basel III leverage ratio was 3.8%, essentially unchanged from October 31, 2016.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 28, 2017

The following Management's Discussion and Analysis (MD&A) presents the financial condition and operating results of National Bank of Canada (the Bank). This analysis was prepared in accordance with the requirements set out in *National Instrument 51-102 Continuous Disclosure Obligations* released by the Canadian Securities Administrators (CSA). It is based on the unaudited interim condensed consolidated financial statements (the consolidated financial statements) for the quarter ended January 31, 2017 prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). This MD&A should be read in conjunction with the consolidated financial statements and accompanying notes for the quarter ended January 31, 2017 and with the *2016 Annual Report*. All amounts are presented in Canadian dollars. 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.

Caution Regarding Forward-Looking Statements

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.

FINANCIAL REPORTING METHOD

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

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.

Financial Information

(millions of Canadian dollars, except per share amounts)		Quarter ended January 31	
	2017	2016	% Change
Net income excluding specified items			
Personal and Commercial	**213**	180	18
Wealth Management	**106**	84	26
Financial Markets	**183**	149	23
U.S. Specialty Finance and International	**38**	40	(5)
Other	**(38)**	(26)	
Net income excluding specified items	**502**	427	18
Items related to holding restructured notes(1)	**–**	(1)	
Acquisition-related items(2)	**(5)**	(20)	
Write-off of an equity interest in an associate(3)	**–**	(145)	
Net income	**497**	261	90
Diluted earnings per share excluding specified items	**$ 1.35**	$ 1.17	15
Acquisition-related items(2)	**(0.01)**	(0.06)	
Write-off of an equity interest in an associate(3)	**–**	(0.43)	
Premium paid on preferred shares redeemed for cancellation(4)	**–**	(0.01)	
Diluted earnings per share	**$ 1.34**	$ 0.67	100
Return on common shareholders' equity			
Including specified items	**18.4 %**	9.5 %	
Excluding specified items	**18.6 %**	16.6 %	

(1) During the quarter ended January 31, 2016, the Bank recorded $2 million in financing costs ($1 million net of income taxes) related to holding restructured notes.

(2) During the quarter ended January 31, 2017, the Bank recorded $6 million in acquisition-related charges ($5 million net of income taxes) (2016: $27 million, $20 million net of income taxes). These charges consisted mostly of retention bonuses and also included the Bank's share in the integration costs incurred by Fiera Capital Corporation (Fiera Capital) as well as the Bank's share in the charges related to its equity interest in TMX Group Limited (TMX), particularly goodwill and intangible asset impairment losses of $18 million ($13 million net of income taxes) recorded during the quarter ended January 31, 2016.

(3) During the quarter ended January 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 35 of the *2016 Annual Report*.

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

HIGHLIGHTS

(millions of Canadian dollars, except per share amounts)	Quarter ended January 31		
	2017	2016	% Change
Operating results			
Total revenues	1,633	1,289	27
Net income	497	261	90
Net income attributable to the Bank's shareholders	478	239	100
Return on common shareholders' equity	18.4 %	9.5 %	
Earnings per share			
Basic	$ 1.35	$ 0.68	99
Diluted	1.34	0.67	100
Operating results on a taxable equivalent basis[1] and excluding specified items[2]			
Total revenues on a taxable equivalent basis and excluding specified items	1,707	1,530	12
Net income excluding specified items	502	427	18
Return on common shareholders' equity excluding specified items	18.6 %	16.6 %	
Efficiency ratio on a taxable equivalent basis and excluding specified items	56.5 %	58.6 %	
Earnings per share excluding specified items[2]			
Basic	$ 1.37	$ 1.18	16
Diluted	1.35	1.17	15
Common share information			
Dividends declared	$ 0.56	$ 0.54	
Book value	29.51	27.77	
Share price			
High	56.60	44.11	
Low	46.83	35.83	
Close	56.17	39.97	
Number of common shares *(thousands)*	340,810	337,535	
Market capitalization	19,143	13,491	

(millions of Canadian dollars)	As at January 31, 2017	As at October 31, 2016	% Change
Balance sheet and off-balance-sheet			
Total assets	234,119	232,206	1
Loans and acceptances	126,881	126,178	1
Impaired loans, net of total allowances	(344)	(289)	
As a % of average loans and acceptances	(0.3) %	(0.2) %	
Deposits[3]	144,729	142,066	2
Equity attributable to common shareholders	10,058	9,642	4
Assets under administration and under management	411,236	397,342	3
Earnings coverage	9.30	7.84	
Asset coverage	10.50	10.04	
Regulatory ratios under Basel III			
Capital ratios[4]			
Common Equity Tier 1 (CET1)	10.6 %	10.1 %	
Tier 1	14.1 %	13.5 %	
Total	15.9 %	15.3 %	
Leverage ratio[4]	3.8 %	3.7 %	
Liquidity coverage ratio (LCR)	139 %	134 %	
Other information			
Number of employees	21,298	21,770	(2)
Number of branches in Canada	448	450	–
Number of banking machines in Canada	941	938	–

(1) See the Consolidated Results section on page 6.
(2) See the Financial Reporting Method section on page 4 for additional information on non-IFRS 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 ANALYSIS

Consolidated Results

On November 1, 2016, the Bank reclassified certain amounts in the Consolidated Statement of Income to better reflect the nature of revenues reported in the Personal and Commercial segment. Accordingly, for the quarter ended January 31, 2016, an amount of $10 million reported in the *Non-interest income – Credit fees* item was reclassified to *Net interest income.* This reclassification had no impact on *Net income*.

(millions of Canadian dollars)		Quarter ended January 31	
	2017	2016	% Change
Operating results			
Net interest income	798	716	11
Non-interest income	835	573	46
Total revenues	1,633	1,289	27
Non-interest expenses	969	903	7
Contribution	664	386	72
Provisions for credit losses	60	63	(5)
Income before income taxes	604	323	87
Income taxes	107	62	73
Net income	497	261	90
Diluted earnings per share *(dollars)*	1.34	0.67	100
Taxable equivalent basis(1)			
Net interest income	68	55	
Non-interest income	4	–	
Income taxes	72	55	
Impact of taxable equivalent basis on net income	–	–	
Specified items(2)			
Items related to holding restructured notes	–	(2)	
Acquisition-related items	(6)	(27)	
Write-off of an equity interest in an associate	–	(164)	
Specified items before income taxes	(6)	(193)	
Income taxes on specified items	(1)	(27)	
Specified items after income taxes	(5)	(166)	
Operating results on a taxable equivalent basis(1) and excluding specified items(2)			
Net interest income on a taxable equivalent basis and excluding specified items	866	773	12
Non-interest income on a taxable equivalent basis and excluding specified items	841	757	11
Total revenues on a taxable equivalent basis and excluding specified items	1,707	1,530	12
Non-interest expenses excluding specified items	965	896	8
Contribution on a taxable equivalent basis and excluding specified items	742	634	17
Provisions for credit losses	60	63	(5)
Income before income taxes on a taxable equivalent basis and excluding specified items	682	571	19
Income taxes on a taxable equivalent basis and excluding specified items	180	144	25
Net income excluding specified items	502	427	18
Diluted earnings per share excluding specified items *(dollars)*(3)	1.35	1.17	15
Average assets	246,060	232,213	6
Average loans and acceptances	126,191	117,325	8
Impaired loans, net of total allowances	(344)	(132)	
Average deposits	150,336	142,178	6
Efficiency ratio excluding specified items(2)	56.5 %	58.6 %	

(1) The Bank uses the taxable equivalent basis to calculate net interest income, non-interest income and income taxes. This calculation method consists of grossing up certain tax-exempt income (particularly dividends) by the income tax that would have been otherwise payable. An equivalent amount is added to income taxes. This adjustment is necessary in order to perform a uniform comparison of the return on different assets regardless of their tax treatment.
(2) See the Financial Reporting Method section on page 4 for additional information on non-IFRS financial measures.
(3) For the quarter ended January 31, 2016, the specified items included a premium of $3 million, or $0.01 per share, on the redemption of the Series 20 preferred shares for cancellation.

Financial Results
For the first quarter of 2017, the Bank reported net income of $497 million compared to $261 million in the same quarter of 2016, a $236 million increase that is explained by the Bank's write-off of its equity interest in associate Maple Financial Group Inc. (Maple) during the first quarter of 2016 and by net income growth generated by its main business segments. Diluted earnings per share stood at $1.34 in the first quarter of 2017 compared to $0.67 in the same quarter of 2016.

The 2017 first-quarter net income excluding specified items totalled $502 million, up 18% from $427 million in the first quarter of 2016, and diluted earnings per share excluding specified items stood at $1.35, up 15% from $1.17 in the same quarter of 2016. For the first quarter of 2017, the specified items, net of income taxes, consisted of $5 million in acquisition-related items (2016: $20 million, including an amount of $13 million representing the Bank's share in the goodwill and intangible asset impairment losses arising from its interest in TMX). For the first quarter of 2016, the specified items, net of income taxes, had also included a $145 million write-off of the Bank's equity interest in associate Maple and $1 million in items related to holding restructured notes.

Return on common shareholders' equity excluding specified items was 18.6% for the quarter ended January 31, 2017 compared to 16.6% in the first quarter of 2016.

Total Revenues
For the first quarter of 2017, the Bank's total revenues amounted to $1,633 million, rising $344 million or 27% year over year. First-quarter net interest income was up, mainly because of growth in personal and commercial loans and deposits, net interest income growth in the Wealth Management segment that was partly driven by deposit growth, net interest income growth at Credigy Ltd., and the revenues generated by the ABA Bank subsidiary. First-quarter non-interest income was also up, posting year-over-year growth of 46% notably due to increases in trading revenues, gains on available-for-sale securities, underwriting and advisory fees, and mutual fund revenues. In addition, primarily because of the Bank's first-quarter 2016 write-off of its equity interest in associate Maple, the *Other* item of non-interest income increased $143 million year over year, partly offset by a smaller portion of Credigy Ltd. revenues being reported in non-interest income. The Bank's share in the net income of associates and joint ventures also increased, as the Bank had recorded an $18 million share in the goodwill and intangible asset impairment losses arising from its interest in TMX during the first quarter of 2016. All of these increases were tempered somewhat by a decrease in other-than-trading foreign exchange revenues. First-quarter total revenues on a taxable equivalent basis and excluding specified items amounted to $1,707 million, a 12% increase from $1,530 million in the first quarter of 2016.

Provisions for Credit Losses
For the first quarter of 2017, the Bank recorded $60 million in provisions for credit losses, $3 million less than in the same quarter of last year given lower provisions for credit losses on Personal and Commercial Banking loans. These decreases were partly offset by higher loan losses, mainly attributable to the Credigy Ltd. subsidiary, in the U.S. Specialty Finance and International segment.

As at January 31, 2017, gross impaired loans stood at $442 million, declining $50 million since October 31, 2016. This decrease came mainly from the commercial loan portfolios. Impaired loans represented 5.3% of the tangible capital adjusted for allowances as at January 31, 2017, down one percentage point from 6.3% as at October 31, 2016. As at January 31, 2017, allowances for credit losses exceeded gross impaired loans by $344 million compared to $289 million as at October 31, 2016.

Non-Interest Expenses
For the first quarter of 2017, non-interest expenses stood at $969 million, a 7% year-over-year increase attributable to an increase in compensation and employee benefits, particularly the variable compensation associated with revenue growth, as well as to higher professional fees. Some of the overall growth in non-interest expense also came from the ABA Bank subsidiary, whose results have been consolidated into the Bank's results since the third quarter of 2016. The 2017 first-quarter non-interest expenses excluding specified items stood at $965 million compared to $896 million in the first quarter of 2016.

Income Taxes
Income taxes for the first quarter of 2017 stood at $107 million compared to $62 million in the same quarter of 2016. The 2017 first-quarter effective income tax rate was 18% versus 19% in the same quarter of 2016. This change in the effective income tax rate was mainly due to higher tax-exempt dividend income compared to the same quarter of 2016 and to the Bank's write-off of its equity interest in associate Maple during the first quarter of 2016.

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 January 31		
	2017	2016[1]	% Change
Operating results			
Net interest income	510	485	5
Non-interest income	245	239	3
Total revenues	755	724	4
Non-interest expenses	412	416	(1)
Contribution	343	308	11
Provisions for credit losses	52	62	(16)
Income before income taxes	291	246	18
Income taxes	78	66	18
Net income	213	180	18
Net interest margin[2]	2.24 %	2.25 %	
Average interest-bearing assets	90,162	85,779	5
Average assets	94,840	91,147	4
Average loans and acceptances	94,482	90,770	4
Net impaired loans	220	227	(3)
Net impaired loans as a % of average loans and acceptances	0.2 %	0.3 %	
Average deposits	51,745	46,421	11
Efficiency ratio	54.6 %	57.5 %	

(1) For the quarter ended January 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) Net interest margin is calculated by dividing net interest income by average interest-bearing assets.

In the Personal and Commercial segment, net income totalled $213 million in the first quarter of 2017, up 18% from $180 million in the first quarter of 2016. The segment's first-quarter total revenues increased by $31 million year over year owing to growth in net interest income, which rose $25 million, and to a $6 million increase in non-interest income. The higher net interest income came mainly from growth in personal and commercial loan and deposit volumes that was tempered, however, by a slight narrowing of the net interest margin, which was 2.24% in the first quarter of 2017 versus 2.25% in the first quarter of 2016, with the decline coming mainly from loan margins.

Personal Banking's first-quarter total revenues rose $29 million year over year. The increase came mainly from growth in loan and deposit volumes, tempered by a narrowing of the net interest margin, as well as from growth in the credit card balance outstanding. Growth in non-interest income came mainly from credit card revenues, insurance revenues and a gain realized upon a change to the distribution model for property and casualty insurance. Commercial Banking's total revenues were up $2 million, mainly because net interest income increased owing to growth in loan and deposit volumes and to a higher net interest margin. This increase was partly offset by decreases in revenues from bankers' acceptances and in revenues from foreign exchange and derivative financial instrument activities.

The Personal and Commercial segment's 2017 first-quarter non-interest expenses were down $4 million or 1% year over year, mainly because of lower compensation and employee benefits and lower operations support charges, partly offset by higher credit-card-related expenses. At 54.6%, the efficiency ratio for the first quarter of 2017 improved by 2.9 percentage points compared to the same quarter of 2016. The segment's provisions for credit losses stood at $52 million, a $10 million year-over-year decrease attributable to provisions for credit losses recorded for both Personal Banking and Commercial Banking loans.

Wealth Management

(millions of Canadian dollars)	Quarter ended January 31		
	2017	2016[1]	% Change
Operating results			
Net interest income	104	89	17
Fee-based revenues	219	196	12
Transaction-based and other revenues	74	71	4
Total revenues	397	356	12
Non-interest expenses	259	251	3
Contribution	138	105	31
Provisions for credit losses	1	1	–
Income before income taxes	137	104	32
Income taxes	36	27	33
Net income	101	77	31
Specified items after income taxes[2]	5	7	
Net income excluding specified items[2]	106	84	26
Average assets	11,271	10,944	3
Average loans and acceptances	9,557	9,266	3
Net impaired loans	4	7	
Average deposits	31,734	26,671	19
Assets under administration and under management	411,236	352,293	17
Efficiency ratio excluding specified items[2]	63.9 %	68.2 %	

(1) For the quarter ended January 31, 2016, certain amounts have been revised from those previously reported.
(2) See the Financial Reporting Method section on page 4 for additional information on non-IFRS financial measures.

In the Wealth Management segment, net income totalled $101 million for the first quarter of 2017, a 31% increase from $77 million in the same quarter of 2016. At $106 million in the first 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 $84 million in the same quarter of 2016. The segment's first-quarter total revenues amounted to $397 million compared to $356 million in the first quarter of 2016, a 12% increase that was driven mainly by net interest income growth, which was largely attributable to deposit growth, and by fee-based revenues given a steady rise in stock market performance during the first quarter of 2017. Transaction-based and other revenues also grew, rising $3 million year over year due to a greater number of transactions.

Non-interest expenses stood at $259 million in the first quarter of 2017, a 3% year-over-year increase driven mainly by the higher variable compensation and external management fees associated with growth in the segment's business volume that generated higher revenues. The efficiency ratio excluding specified items for the first quarter of 2017 was 63.9%, an improvement of 4.3 percentage points from the same quarter of 2016.

Assets under administration and under management increased by $58.9 billion or 17%, essentially 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 January 31		
	2017	2016[2]	% Change
Operating results			
Trading activity revenues			
Equities	**132**	107	23
Fixed-income	**81**	65	25
Commodities and foreign exchange	**41**	44	(7)
	254	216	18
Financial market fees	**72**	50	44
Gains (losses) on available-for-sale securities, net	**9**	(1)	
Banking services	**81**	72	13
Other	**3**	(153)	
Total revenues on a taxable equivalent basis	**419**	184	128
Non-interest expenses	**170**	144	18
Contribution on a taxable equivalent basis	**249**	40	
Provisions for credit losses	**–**	–	
Income before income taxes on a taxable equivalent basis	**249**	40	
Income taxes on a taxable equivalent basis	**66**	36	83
Net income	**183**	4	
Specified items after income taxes[3]	**–**	145	
Net income excluding specified items[3]	**183**	149	23
Average assets	**96,803**	85,596	13
Average loans and acceptances (Corporate Banking only)	**12,739**	11,732	9
Average deposits	**20,843**	15,617	33
Efficiency ratio excluding specified items[3]	**40.6 %**	41.4 %	

(1) See Note 21 to the consolidated financial statements.
(2) For the quarter ended January 31, 2016, certain amounts have been revised from those previously reported, notably amounts related to the Credigy Ltd. subsidiary, which are now reported in the USSF&I segment.
(3) See the Financial Reporting Method section on page 4 for additional information on non-IFRS financial measures.

In the Financial Markets segment, net income totalled $183 million in the first quarter of 2017 compared to $4 million in the same quarter of 2016, and total revenues on a taxable equivalent basis amounted to $419 million compared to $184 million in the first quarter of 2016. Both increases are partly explained by the Bank's write-off of its equity interest in associate Maple during the first quarter of 2016. Furthermore, the segment's first-quarter trading activity revenues increased 18%, mainly due to higher revenues from equity securities and fixed-income securities, which rose 23% and 25%, respectively. Revenues from financial market fees were also up, rising 44% compared to the first quarter of 2016, and banking service revenues rose 13% year over year. Gains on available-for-sale securities were recorded during the first quarter of 2017, whereas losses had been recorded in the same quarter of 2016.

The segment's 2017 first-quarter non-interest expenses stood at $170 million, a $26 million year-over-year increase resulting mainly from the higher variable compensation associated with revenue growth and from higher operations support charges. At 40.6%, the efficiency ratio improved by 0.8 percentage points compared to the same quarter of 2016. Provisions for credit losses were nil in both the first quarters of 2017 and 2016.

Excluding the write-off of the equity interest in associate Maple recorded in the first quarter of 2016, net income excluding specified items increased by 23%.

U.S. Specialty Finance and International

(millions of Canadian dollars)	Quarter ended January 31		
	2017	2016(1)	% Change
Operating results			
Net interest income	**42**	7	
Non-interest income	**76**	101	(25)
Total revenues	**118**	108	9
Credigy	**90**	103	(13)
International(2)	**28**	5	
Non-interest expenses	**56**	48	17
Credigy	**43**	47	(9)
International(2)	**13**	1	
Contribution	**62**	60	3
Provisions for credit losses	**7**	–	
Income before income taxes	**55**	60	(8)
Income taxes	**17**	20	(15)
Net income	**38**	40	(5)
Non-controlling interests	**6**	8	(25)
Net income attributable to the Bank's shareholders	**32**	32	–
Average assets	**6,655**	4,360	53
Average loans and acceptances	**4,733**	2,522	88
Average revenue-bearing other assets	**801**	1,424	(44)
Average deposits	**1,122**		
Efficiency ratio	**47.5 %**	44.4 %	

(1) The amounts presented for the quarter ended January 31, 2016 are consistent with the segment disclosure presentation adopted by the Bank for the fiscal year beginning November 1, 2016.
(2) Includes the ABA Bank subsidiary and other international investments.

In the U.S. Specialty Finance and International segment, net income totalled $38 million in the first quarter of 2017 compared to $40 million in the same quarter of 2016. The segment's first-quarter total revenues amounted to $118 million compared to $108 million in the first quarter of 2016, an increase that is mainly attributable to the revenues of the ABA Bank subsidiary, whose results have been consolidated into the Bank's results since the third quarter of 2016. Growth in the net interest income of Credigy Ltd. was partly offset by a decrease in non-interest income, as collection revenues had been higher in the first quarter of 2016.

The segment's first-quarter non-interest expenses stood at $56 million, an $8 million year-over-year increase that was notably attributable to the inclusion of the ABA Bank subsidiary, whereas a decrease in Credigy Ltd.'s first-quarter variable compensation came from a year-over-year decline in revenues. The segment's first-quarter provisions for credit losses were $7 million, mainly due to the provisions for credit losses recorded for the Credigy Ltd. subsidiary.

Other

(taxable equivalent basis)[1] (millions of Canadian dollars)	Quarter ended January 31	
	2017	2016[2]
Operating results		
Net interest income	(22)	(38)
Non-interest income	38	10
Total revenues on a taxable equivalent basis	16	(28)
Non-interest expenses	72	44
Income before income taxes on a taxable equivalent basis	(56)	(72)
Income taxes (recovery) on a taxable equivalent basis	(18)	(32)
Net loss	(38)	(40)
Non-controlling interests	13	14
Net loss attributable to the Bank's shareholders	(51)	(54)
Specified items after income taxes[3]	–	14
Net loss excluding specified items[3]	(38)	(26)
Average assets	36,491	40,166

(1) See Note 21 to the consolidated financial statements.
(2) For the quarter ended January 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) See the Financial Reporting Method section on page 4 for additional information on non-IFRS financial measures.

For the *Other* heading of segment results, there was a net loss of $38 million in the first quarter of 2017 compared to a net loss of $40 million in the same quarter of 2016. A higher contribution from treasury activities was partly offset by compensation and employee benefit expenses as well as business development expenses recorded during the first quarter of 2017. In the first quarter of 2016, the net loss had included the Bank's share in the charges related to its interest in TMX, particularly an amount of $13 million, net of income taxes, in goodwill and intangible asset impairment losses. There was a $38 million net loss excluding specified items in the first quarter of 2017 compared to a net loss excluding specified items of $26 million in the same quarter of 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 January 31, 2017	As at October 31, 2016 (1)	% Change
Assets			
Cash and deposits with financial institutions	8,616	8,183	5
Securities	65,667	64,541	2
Securities purchased under reverse repurchase agreements and securities borrowed	14,779	13,948	6
Loans and acceptances (net of allowances for credit losses)	126,881	126,178	1
Other	18,176	19,356	(6)
	234,119	232,206	1
Liabilities and equity			
Deposits	144,729	142,066	2
Other	75,874	77,026	(1)
Subordinated debt	1,009	1,012	–
Equity attributable to the Bank's shareholders	11,708	11,292	4
Non-controlling interests	799	810	(1)
	234,119	232,206	1

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

Assets

As at January 31, 2017, the Bank had total assets of $234.1 billion, up $1.9 billion or 1% from $232.2 billion as at October 31, 2016. At $8.6 billion as at January 31, 2017, cash and deposits with financial institutions increased by $0.4 billion. Securities rose $1.2 billion since October 31, 2016, particularly because of an increase in securities issued or guaranteed by the Canadian government. Securities purchased under reverse repurchase agreements and securities borrowed also increased, rising $0.9 billion since October 31, 2016.

As at January 31, 2017, loans and acceptances, net of allowances for credit losses, increased by $0.7 billion since October 31, 2016 owing to growth in mortgage lending and personal lending, whereas loans to businesses and government were down. The following table provides a breakdown of the main loan and acceptance portfolios.

(millions of Canadian dollars)	As at January 31, 2017	As at October 31, 2016	As at January 31, 2016
Loans and acceptances			
Consumer	32,385	31,787	30,286
Residential mortgage	49,520	48,868	44,409
Credit card receivables	2,120	2,177	2,028
Business and government	43,642	44,127	42,353
	127,667	126,959	119,076

Consumer loans increased by 2% since October 31, 2016, mainly due to growth at the Credigy Ltd. subsidiary. Rising 1% since October 31, 2016, residential mortgages were also up, with the growth coming from the activities of the Personal and Commercial segment and the ABA Bank subsidiary. Loans and acceptances to businesses were down $0.5 billion since October 31, 2016. When compared to a year ago, loans and acceptances increased by $8.6 billion or 7%. Also compared to a year ago, consumer loans, residential mortgages and credit card receivables increased by 7%, 12% and 5%, respectively. Loans and acceptances to businesses rose 3% from a year ago mainly because of corporate loan financing.

As at January 31, 2017, derivative financial instruments amounted to $9.4 billion, a decrease of $1.0 billion since October 31, 2016. This change should be analyzed along with the derivative financial instruments presented in liabilities, which, at $6.6 billion, were down $1.1 billion, resulting in a net increase of $0.1 billion since October 31, 2016.

Liabilities
As at January 31, 2017, the Bank had total liabilities of $221.6 billion compared to $220.1 billion as at October 31, 2016.

As at January 31, 2017, the Bank's total deposit liability was $144.7 billion versus $142.1 billion as at October 31, 2016, an increase of $2.6 billion or 2%. The following table provides a breakdown of total personal savings.

(millions of Canadian dollars)	As at January 31, 2017	As at October 31, 2016[1]	As at January 31, 2016[1]
Balance sheet			
Deposits	**53,667**	52,521	49,566
Off-balance-sheet			
Brokerage	**118,549**	117,157	103,435
Mutual funds	**29,431**	28,706	25,515
Other	**420**	463	900
	148,400	146,326	129,850
Total personal savings	**202,067**	198,847	179,416

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

At $53.7 billion as at January 31, 2017, personal deposits increased by $1.2 billion or 2% since October 31, 2016. Since the beginning of the fiscal year, personal savings included in assets under administration and under management have increased $2.1 billion or 1%. From a year ago, personal deposits rose $4.1 billion or 8% owing to the Bank's initiatives to grow this type of deposit. Personal savings included in assets under administration and under management were also up, rising $18.5 billion or 14% owing to net inflows in various solutions and to a steady rise in stock market performance.

At $85.4 billion, business and government deposits rose $1.5 billion since October 31, 2016. Deposits from deposit-taking institutions stood at $5.7 billion, remaining stable when compared to October 31, 2016. Other funding activities were down $1.1 billion since October 31, 2016, essentially due to decreases in liabilities related to transferred receivables and other liabilities, partly offset by an increase in obligations related to securities sold under repurchase agreements and securities loaned.

Equity
As at January 31, 2017, the Bank's equity amounted to $12.5 billion, up $0.4 billion from October 31, 2016. This increase was essentially driven by an increase in retained earnings attributable to net income, net of dividends, by remeasurements of pension plans and other post-employment benefit plans, and by common share issuances under the stock option plan.

As at February 24, 2017, there were 340,798,838 common shares and 16,036,690 stock options outstanding. For additional information on share capital, see Note 19 to the audited annual consolidated financial statements for the year ended October 31, 2016 and Note 12 to the consolidated financial statements of this quarter.

Event After the Consolidated Balance Sheet Date

Redemption of Subordinated Debt
On February 15, 2017, the Bank announced its intention to redeem, on April 11, 2017, the $1.0 billion in notes maturing on April 11, 2022.

Related Party Transactions

The Bank's policies and procedures regarding related party transactions have not significantly changed since October 31, 2016. For additional information, see Note 29 to the audited annual consolidated financial statements for the year ended October 31, 2016.

Securitization and Off-Balance-Sheet Arrangements

In the normal course of business, the Bank is party to various financial arrangements that, under IFRS, are not required to be recorded on the Consolidated Balance Sheet or are recorded at amounts other than their notional or contractual values. These arrangements include, among others, transactions with structured entities, derivative financial instruments, issuances of guarantees, credit instruments, and financial assets received as collateral. A complete analysis of these types of arrangements, including their nature, business purpose and importance, is provided on pages 36 and 37 of the *2016 Annual Report*. During the quarter ended January 31, 2017, given the repayment of the restructured notes, the Bank ceased its commitment to contribute to the margin funding facility of the master asset vehicle (MAV) conduits. For additional information on guarantees and commitments, see Note 27 to the audited annual consolidated financial statements for the year ended October 31, 2016.

For additional information about financial assets transferred but not derecognized and structured entities, see Notes 7 and 20, respectively, to the consolidated financial statements.

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:

<u>Watson</u>
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 quarter ended January 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.

ACCOUNTING POLICIES AND FINANCIAL DISCLOSURE

Accounting Policies and Critical Accounting Estimates

The Bank's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The financial statements also comply with section 308(4) of the *Bank Act* (Canada), which states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions (Canada) (OSFI), the consolidated financial statements are to be prepared in accordance with IFRS. None of the OSFI accounting requirements are exceptions to IFRS.

These consolidated financial statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting* using the same accounting policies described in Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2016.

On November 1, 2016, the Bank reclassified certain Personal and Commercial segment revenues in the Consolidated Statement of Income to better reflect the nature of the revenues reported. As a result, for the quarter ended January 31, 2016, an amount of $10 million reported in *Non-interest income – Credit fees* was reclassified to *Interest income – Loans*.

Also on November 1, 2016, the Bank changed the presentation of certain items on the Consolidated Balance Sheet, and certain amounts were revised from those previously reported. The *Due from clients, dealers and brokers* item as at October 31, 2016 is now presented in *Other assets* on the Consolidated Balance Sheet. All deposits have been grouped into a single *Deposits* item. To better reflect the nature of certain liabilities on the Consolidated Balance Sheet, an amount of $2.2 billion reported in the *Due to clients, dealers and brokers* item was reclassified to the *Deposits* item as at October 31, 2016. The *Due to clients, dealers and brokers* item is now presented in *Other liabilities* on the Consolidated Balance Sheet.

In preparing consolidated financial statements in accordance with IFRS, management must exercise judgment and make estimates and assumptions that affect the reporting date carrying amounts of assets and liabilities, net income and related information. Certain accounting policies are considered critical given their importance to the presentation of the Bank's financial position and operating results and require difficult, subjective and complex judgments and estimates because they relate to matters that are inherently uncertain. Any change in these judgments and estimates could have a significant impact on the Bank's consolidated financial statements. The critical accounting estimates remain substantially unchanged from those described on pages 83 to 86 of the *2016 Annual Report*.

Future Accounting Policy Changes

The Bank closely monitors both new accounting standards and amendments to existing accounting standards issued by the IASB. The Bank is currently assessing how adoption of new and amended IASB accounting standards will impact the consolidated financial statements. For additional information on future accounting policy changes, see Note 2 to the 2016 audited annual consolidated financial statements as well as the Future Accounting Policy Changes section on pages 87 to 89 of the *2016 Annual Report.*

Financial Disclosure

During the first quarter of 2017, no changes were made to the policies, procedures and other processes that comprise the Bank's internal control over financial reporting that had or could reasonably have a significant impact on the Bank's internal control over financial reporting.

ADDITIONAL FINANCIAL DISCLOSURE

The Financial Stability Board (FSB) develops financial stability standards and seeks to promote cooperation in the oversight and monitoring of financial institutions. OSFI has asked Canadian banks to apply certain recommendations issued by the FSB. The recommendations seek to enhance the transparency and measurement of certain exposures, in particular structured entities, subprime and Alt-A exposures, collateralized debt obligations, residential and commercial mortgage-backed securities, and leveraged financing structures.

The Bank does not market any specific mortgage financing program to subprime or Alt-A clients. Subprime loans are generally defined as loans granted to borrowers with a higher credit risk profile than prime borrowers, and the Bank does not grant this type of loan. Alt-A loans are granted to borrowers who cannot provide standard proof of income. The Bank's Alt-A loan volume was $463 million as at January 31, 2017 ($483 million as at October 31, 2016).

The Bank does not have any significant direct position in residential and commercial mortgage-backed securities that are not insured by the Canadian Mortgage and Housing Corporation (CMHC). Credit derivative positions are presented in the *Supplementary Regulatory Capital Disclosure* report, which is available on the Bank's website at nbc.ca.

Leveraged financing structures are defined by the Bank as loans granted to large corporate and financial sponsor-backed companies that are typically non-investment grade with much higher levels of debt relative to other companies in the same industry. Leveraged finance is commonly employed to achieve a specific objective, for example, to make an acquisition, complete a buy-out or repurchase shares. Leveraged finance risk exposure takes the form of both funded and unfunded commitments. As at January 31, 2017, total commitments for this type of loan stood at $2,711 million ($2,694 million as at October 31, 2016). Details about other exposures are provided in the table on structured entities in Note 20 to the consolidated financial statements.

The FSB created the Enhanced Disclosure Task Force (EDTF), a working group that, on October 29, 2012, published a report entitled *Enhancing the Risk Disclosures of Banks*, which contains 32 recommendations. The Bank ensures overall compliance with those recommendations and is continuing to enhance its risk disclosures to meet the best practices on an ongoing basis. The risk disclosures required by the EDTF are provided in the *2016 Annual Report*, in this *Report to Shareholders*, and in the documents entitled *Supplementary Regulatory Capital Disclosure for the First Quarter Ended January 31, 2017,* and *Supplementary Financial Information for the First Quarter Ended January 31, 2017*, which are available on the Bank's website at nbc.ca. In addition, on the following page is a table of contents that users can use to locate information relative to the 32 recommendations.

Risk Disclosures

The following table lists the references where users can find information that responds to the EDTF's 32 recommendations.

		Pages		
		2016 Annual Report	Report to Shareholders(1)	Supplementary Regulatory Capital Disclosure(1)
General				
1	Location of risk disclosures	7	18	
	Management's Discussion and Analysis	39 to 82, 94 and 98	19 to 37	
	Consolidated Financial Statements	Notes 1, 7, 17, 24 and 30	Notes 6 and 14	
	Supplementary Regulatory Capital Disclosure			4 to 29
2	Risk terminology and risk measures	48 to 82		
3	Top and emerging risks	48 and 49		
4	New key regulatory ratios	40 to 42, 71 and 76	19 and 20, 29, 32 and 61	
Risk governance and risk management				
5	Risk management organization, processes and key functions	51 to 65		
6	Risk management culture	51 and 52		
7	Key risks by business segment, risk management and risk appetite	47, 51 and 52		
8	Stress testing	39, 52, 60 and 69 to 73		
Capital adequacy and risk-weighted assets (RWA)				
9	Minimum Pillar 1 capital requirements	40 to 42	19 and 20	
10	Reconciliation of the accounting balance sheet to the regulatory balance sheet			4 to 7
11	Movements in regulatory capital	44	21	
12	Capital planning	39 to 47		
13	RWA by business segment and by risk type	45 and 47	22	8
14	Capital requirements by risk and RWA calculation method	45 and 56 to 60	22	8
15	Banking book credit risk	45	22	8 and 11 to 16
16	Movements in RWA by risk type	46	23	9
17	Assessment of credit risk model performance	55, 58 and 67		11 to 17
Liquidity				
18	Liquidity management and components of the liquidity buffer	71 to 77	29 to 33	
Funding				
19	Summary of encumbered and unencumbered assets	74 and 75	31	
20	Residual contractual maturities of balance sheet items and off-balance-sheet commitments	183 to 187	34 to 37	
21	Funding strategy and funding sources	77 to 79	33	
Market risk				
22	Linkage of market risk measures to balance sheet	65 and 66	26 and 27	
23	Market risk factors	64, 67 to 70, 170 to 172	27 to 29	
24	VaR: Assumptions, limitations and validation procedures	67 to 69		
25	Stress tests, stressed VaR and backtesting	67 to 70		
Credit risk				
26	Credit risk exposures	59, 63 and 141 to 144	25 and 55 to 57	10 to 24 and 19 to 25(2)
27	Policies for identifying impaired loans	61, 114 and 115		
28	Movements in impaired loans and allowances for credit losses	94, 98 and 141 to 144	55 to 57	20
29	Counterparty credit risk relating to derivatives transactions	61, 62 and 154 to 156		25 and 26
30	Credit risk mitigation	60 to 62		22 and 24
Other risks				
31	Other risks: Governance, measurement and management	50 and 80 to 82		
32	Publicly known risk events	80	No risk event	

(1) For the first quarter ended January 31, 2017.
(2) These pages are included in the document entitled *Supplementary Financial Information for the First Quarter Ended January 31, 2017.*

CAPITAL MANAGEMENT

Capital management has a dual role of ensuring a competitive return to the Bank's shareholders while maintaining a solid capital foundation that covers risks inherent to the Bank's business, supports its business segments and protects its clients. The Bank's capital management policy defines guiding principles as well as the roles and responsibilities of its internal capital adequacy assessment process. This process aims to determine the capital that the Bank needs to pursue its business operations and to accommodate unexpected losses arising from extremely adverse economic and operational conditions. For additional information on the capital management framework, see the Capital Management section on pages 39 to 47 of the Bank's *2016 Annual Report*.

Basel Accord

The Basel III regulatory framework sets out transitional arrangements for the period of 2013 to 2019. OSFI has introduced two methodologies for determining capital. The "all-in" methodology includes all of the regulatory adjustments that will be required by 2019 while retaining the phase-out rules for non-qualifying capital instruments. The "transitional" methodology adheres to the guidelines of the Basel Committee on Banking Supervision (BCBS) and, in addition to applying the phase-out rules for non-qualifying capital instruments, also applies a more flexible and steady phasing in of the required regulatory adjustments. The Bank will disclose its capital ratios calculated according to both methodologies for each quarter until the start of 2019. However, OSFI requires Canadian banks to meet the minimum "all-in" thresholds rather than the minimum thresholds calculated using the "transitional" method.

Consequently, the Bank and all other major Canadian banks have to maintain a CET1 capital ratio of at least 8.0%, a Tier 1 capital ratio of at least 9.5%, and a Total capital ratio of at least 11.5%, all determined using the "all-in" methodology. All of these ratios are to include a capital conservation buffer of 2.5% and a 1% surcharge applicable to Domestic Systemically Important Banks (D-SIBs).

In addition to those measures, OSFI requires that regulatory capital instruments other than common equity have a non-viability contingent capital (NVCC) clause to ensure that investors bear losses before taxpayers should the government determine that it is in the public interest to rescue a non-viable financial institution. Instruments issued before January 1, 2013 that would be Basel III compliant if it were not for the absence of the NVCC clause are grandfathered and will be phased out over a period of ten years. The Bank expects to phase out all of its non-NVCC instruments without resorting to any regulatory event redemption.

To ensure an implementation similar to that in other countries, OSFI has decided to phase in the Credit Valuation Adjustment (CVA) charge over a five-year period beginning in 2014. For fiscal 2017, 72%, 77% and 81% of total CVA will be applied to the calculation of the CET1, Tier 1 and Total capital ratios, respectively, and these percentages will continue to increase each year thereafter until they reach 100% by 2019.

Since January 1, 2015, OSFI has been requiring Canadian banks to meet a Basel III leverage ratio of at least 3.0%. The leverage ratio is a measure independent of risk that is calculated by dividing the amount of Tier 1 capital by total exposure. Total exposure is defined as the sum of on-balance-sheet assets (including derivative exposures and securities financing transaction exposures) and off-balance-sheet items. The assets deducted from Tier 1 capital are also deducted from total exposure.

The Bank ensures that its capital levels are always above the minimum regulatory capital requirements for OSFI's "all-in" ratios. By maintaining a strong capital structure, the Bank can cover the risks inherent to its business activities, support its business segments and protect its clients.

Other disclosure requirements pursuant to Pillar 3 of the Basel Accord and a set of recommendations defined by the EDTF are presented in the *Supplementary Regulatory Capital Disclosure* report published quarterly and available on the Bank's website at nbc.ca. Furthermore, a complete list of capital instruments and their main features is also available on the Bank's website.

Regulatory Developments

In December 2016, OSFI released an update to the Capital Adequacy Requirements (CAR) Guideline. The guideline notably clarifies the rules for recognizing equity investments in funds and for calculating countercyclical buffers. In the Bank's opinion, countercyclical buffers will have a minimal impact on its capital ratios given that it does not have significant exposures in countries affected by the buffer.

The Bank continues to closely monitor regulatory changes and is actively involved in the consultation processes. For additional information on the regulatory context as at October 31, 2016, which is still the current context, see pages 42 and 43 of the Capital Management section in the *2016 Annual Report*.

The following table presents the capital ratios and the leverage ratio calculated using the "all-in" methodology and the regulatory targets under Basel III.

	Regulatory ratios		Minimum regulatory ratios to be maintained	
	As at January 31, 2017	As at October 31, 2016	BCBS 2017 (1)	OSFI 2017 (1)(2)
Capital ratios				
CET1	**10.6 %**	10.1 %	5.75 %	8.0 %
Tier 1	**14.1 %**	13.5 %	7.25 %	9.5 %
Total	**15.9 %**	15.3 %	9.25 %	11.5 %
Leverage ratio	**3.8 %**	3.7 %	n.a.	3.0 %

n.a. Not applicable
(1) For the capital ratios, includes the 1.25% conservation buffer set by the BCBS and the 2.5% conservation buffer set by OSFI.
(2) For the capital ratios, includes a 1% surcharge applicable to D-SIBs since January 1, 2016.

Management Activities

On February 15, 2017, the Bank announced its intention to redeem, on April 11, 2017, the $1.0 billion in notes maturing on April 11, 2022.

Movement in Regulatory Capital[1]

(millions of Canadian dollars)	Quarter ended January 31, 2017
Common Equity Tier 1 (CET1) capital	
Balance at beginning	6,865
Issuance of common shares (including Stock Option Plan)	119
Repurchase of common shares	–
Contributed surplus	(16)
Dividends on preferred and common shares	(210)
Net income attributable to the Bank's shareholders	478
Removal of own credit spread net of income taxes	3
Other	91
Movements in accumulated other comprehensive income	
Translation adjustments	(33)
Available-for-sale securities	(8)
Other	–
Change in goodwill and intangible assets (net of related tax liability)	(5)
Other, including regulatory adjustments and transitional arrangements	
Change in defined benefit pension plan asset (net of related tax liability)	(11)
Change in amount exceeding 15% threshold	
Deferred tax assets	–
Significant investment in common shares of financial institutions	–
Change in other regulatory adjustments[2]	(5)
Balance at end	7,268
Additional Tier 1 capital	
Balance at beginning	2,400
New Tier 1 eligible capital issuances	–
Redeemed capital	–
Change in non-qualifying Additional Tier 1 subject to phase-out	–
Other, including regulatory adjustments and transitional arrangements	–
Balance at end	2,400
Total Tier 1 capital	9,668
Tier 2 capital	
Balance at beginning	1,241
New Tier 2 eligible capital issuances	–
Redeemed capital	–
Change in non-qualifying Tier 2 subject to phase-out	–
Tier 2 instruments issued by subsidiaries and held by third parties	–
Change in certain loan loss allowances	4
Other, including regulatory adjustments and transitional arrangements	–
Balance at end	1,245
Total regulatory capital	10,913

(1) Figures are presented on an "all-in" basis.
(2) Represents the change in investments in the Bank's own CET1.

Risk-Weighted Assets by Key Risk Drivers

CET1 risk-weighted assets (RWA) amounted to $68.6 billion as at January 31, 2017, rising $0.4 billion from $68.2 billion as at October 31, 2016. This organic growth in RWA was partly offset by the repayment of the restructured notes of the master asset vehicle (MAV) conduits and by foreign exchange movements.

Capital Adequacy Under Basel III[1]

(millions of Canadian dollars)					As at January 31, 2017		As at October 31, 2016
	Exposure at default				Risk-weighted assets	Capital requirement[2]	Risk-weighted assets
		Standardized Approach	AIRB Approach	Other Approach	Total		Total
Credit risk							
Retail							
Residential mortgages	44,820	739	4,653	–	5,392	431	5,455
Qualifying revolving retail	5,633	–	1,155	–	1,155	92	1,178
Other retail	16,007	2,323	4,957	–	7,280	582	6,823
Non-retail							
Corporate	59,441	1,810	25,416	–	27,226	2,178	27,393
Sovereign	27,477	224	633	–	857	69	875
Financial institutions	5,100	207	1,266	–	1,473	118	1,574
Banking book equities[3]	886	–	886	–	886	71	875
Securitization	3,732	–	304	–	304	24	831
Other assets	25,950	–	–	3,137	3,137	251	3,176
Counterparty credit risk							
Corporate	14,328	67	142	–	209	17	347
Sovereign	35,718	–	33	–	33	3	34
Financial institutions	44,420	–	436	–	436	35	402
Trading portfolio	9,174	101	2,089	–	2,190	175	2,345
Credit valuation adjustment charge[4]		2,030	–	–	2,030	162	2,055
Regulatory scaling factor		–	2,540	–	2,540	203	2,540
Total – Credit risk	292,686	7,501	44,510	3,137	55,148	4,411	55,903
Market risk							
VaR		–	1,340	–	1,340	107	1,014
Stressed VaR		–	1,632	–	1,632	131	1,067
Interest-rate-specific risk		843	–	–	843	67	726
Total – Market risk		843	2,972	–	3,815	305	2,807
Operational risk		9,611	–	–	9,611	769	9,495
Total	292,686	17,955	47,482	3,137	68,574	5,485	68,205

(1) Figures are presented on an "all-in" basis.
(2) The capital requirement is equal to 8% of risk-weighted assets.
(3) Calculated using the simple risk-weighted method.
(4) Calculated based on CET1 RWA.

Risk-Weighted Assets Movement by Key Drivers[1]

(millions of Canadian dollars)			Quarter ended
			January 31, 2017
	Non-counterparty credit risk	Counterparty credit risk[2]	Total
Credit risk – Risk-weighted assets at beginning	**50,720**	**5,183**	**55,903**
Book size	596	(141)	455
Book quality	(738)	(94)	(832)
Model updates	–	–	–
Methodology and policy	–	–	–
Acquisitions and disposals	–	–	–
Foreign exchange movements	(328)	(50)	(378)
Credit risk – Risk-weighted assets at end	**50,250**	**4,898**	**55,148**
Market risk – Risk-weighted assets at beginning			**2,807**
Movement in risk levels[3]			1,008
Model updates			–
Methodology and policy			–
Acquisitions and disposals			–
Market risk – Risk-weighted assets at end			**3,815**
Operational risk – Risk-weighted assets at beginning			**9,495**
Movement in risk levels			116
Acquisitions and disposals			–
Operational risk – Risk-weighted assets at end			**9,611**
Risk-weighted assets at end			**68,574**

(1) Figures are presented on an "all-in" basis.
(2) Calculated based on CET1 risk-weighted assets.
(3) Also includes foreign exchange rate movements that are not considered material.

The table above provides the risk-weighted assets movements by key drivers underlying the different risk categories.

The *Book size* item reflects organic changes in exposure size and composition (including new loans and maturing loans). RWA movements attributable to book size include increases or decreases in exposures, measured by exposure at default, assuming a stable risk profile.

The *Book quality* item is the Bank's best estimate of changes in book quality related to experience, such as underlying customer behaviour or demographics, including changes resulting from model recalibrations or realignments.

The *Model updates* item is used to reflect implementations of new models, changes in model scope, and any other change applied to address model malfunctions.

The *Methodology and policy* item presents the impact of changes in calculation methods stemming from changes in regulatory policies as a result, for example, of new regulations.

Regulatory Capital Ratios

As at January 31, 2017, the Bank's CET1, Tier 1 and Total capital ratios were, respectively, 10.6%, 14.1% and 15.9%, i.e., above the regulatory requirements, compared to ratios of, respectively, 10.1%, 13.5% and 15.3% as at October 31, 2016. The increase in the capital ratios stems essentially from net income, net of dividends, from common share issuances under the stock option plan, from remeasurements of the pension plans and other post-employment benefit plans, and from the repayment of the restructured notes of the MAV conduits. As at January 31, 2017, the leverage ratio stood at 3.8% compared to 3.7% as at October 31, 2016.

Regulatory Capital and Ratios Under Basel III[1]

(millions of Canadian dollars)	As at January 31, 2017	As at October 31, 2016
Capital		
CET1	**7,268**	6,865
Tier 1	**9,668**	9,265
Total	**10,913**	10,506
Risk-weighted assets		
CET1 capital	**68,574**	68,205
Tier 1 capital	**68,715**	68,430
Total capital	**68,828**	68,623
Total exposure	**256,330**	253,097
Capital ratios		
CET1	**10.6 %**	10.1 %
Tier 1	**14.1 %**	13.5 %
Total	**15.9 %**	15.3 %
Leverage ratio	**3.8 %**	3.7 %

(1) Figures are presented on an "all-in" basis.

Dividends

On February 28, 2017, the Board of Directors declared regular dividends on the various series of first preferred shares and a dividend of 56 cents per common share payable on May 1, 2017 to shareholders of record on March 27, 2017.

RISK MANAGEMENT

The Bank aims to maintain its financial performance by continuing to ensure prudent management and a sound balance between return and the risks assumed. The Bank views risk as an integral part of its development and the diversification of its activities and advocates a risk management approach consistent with its business expansion strategy. The Bank's governance structure for risk management has remained largely unchanged from that described in the *2016 Annual Report*.

Managing risk requires a solid understanding of every type of risk found across the Bank. In addition to providing assurance that risk levels do not exceed acceptable thresholds, effective risk management can help to control the volatility of the Bank's results. Despite the exercise of stringent risk management and the mitigation measures in place, risk cannot be suppressed entirely, and the residual risks may occasionally cause significant losses.

Certain risks are discussed below. For additional information, see the Risk Management section on pages 48 to 82 of the *2016 Annual Report*. Risk management information is also provided in Note 6 to the consolidated financial statements, which covers loans.

Credit Risk

Credit risk is the risk of incurring a financial loss if an obligor does not fully honour its contractual commitments to the Bank. Obligors may be borrowers, issuers, counterparties or guarantors. Credit risk is the most significant risk facing the Bank in the normal course of business.

The amounts shown in the following table represent the Bank's maximum exposure to credit risk as at the financial reporting date without taking into account any collateral held or any other credit enhancements. These amounts do not take into account allowances for credit losses nor amounts pledged as collateral. The table also excludes equity securities.

Maximum Credit Risk Exposure Under the Basel Asset Categories

(millions of Canadian dollars)						As at January 31, 2017	As at October 31, 2016
	Drawn	Undrawn commitments	Repo-style transactions(1)	OTC derivatives	Other off-balance-sheet items(2)	Total	Total
Retail							
Residential mortgages	38,696	6,124	–	–	–	44,820	46,578
Qualifying revolving retail	2,719	2,914	–	–	–	5,633	5,716
Other retail	14,585	1,334	–	–	88	16,007	15,374
	56,000	10,372	–	–	88	66,460	67,668
Non-retail							
Corporate	41,001	15,607	14,313	15	2,833	73,769	72,707
Sovereign	23,401	3,945	35,413	305	131	63,195	57,713
Financial institutions	4,214	199	43,963	456	688	49,520	42,094
	68,616	19,751	93,689	776	3,652	186,484	172,514
Trading portfolio	–	–	–	9,174	–	9,174	9,623
Securitization	–	–	–	–	3,732	3,732	4,068
Total – Gross Credit Risk	124,616	30,123	93,689	9,950	7,472	265,850	253,873
Standardized Approach	10,799	71	2,378	126	476	13,850	13,802
AIRB Approach	113,817	30,052	91,311	9,824	6,996	252,000	240,071
Total – Gross Credit Risk	124,616	30,123	93,689	9,950	7,472	265,850	253,873

(1) Securities purchased under reverse repurchase agreements and sold under repurchase agreements as well as securities loaned and borrowed.
(2) Letters of guarantee, documentary letters of credit and securitized assets that represent the Bank's commitment to make payments in the event that a client cannot meet its financial obligations to third parties.

In order to meet OSFI's mortgage loan disclosure requirements, additional information has been provided in *Supplementary Financial Information for the First Quarter Ended January 31, 2017* and in *Supplementary Regulatory Capital Disclosure for the First Quarter Ended January 31, 2017,* which are available on the Bank's website at nbc.ca.

Market Risk

Market risk is the risk of losses in on- and off-balance-sheet positions arising from movements in market parameters. Managing this risk is a core competency for the Bank in its market making, trading, investing and asset/liability management activities.

The following tables provide a breakdown of the Bank's Consolidated Balance Sheet into financial assets and liabilities by those that carry market risk and those that do not carry market risk, distinguishing between trading positions whose main risk measures are Value-at-Risk (VaR) and stressed VaR (SVaR) and non-trading positions that use other risk measures.

Reconciliation of Market Risk with Consolidated Balance Sheet Items

(millions of Canadian dollars)					As at January 31, 2017
		Market risk measures			
	Balance sheet	Trading(1)	Non-Trading(2)	Not subject to market risk	Non-traded risk primary risk sensitivity
Assets					
Cash and deposits with financial institutions	8,616	186	8,010	420	Interest rate(3)
Securities					
At fair value through profit or loss	47,940	47,230	710	–	Interest rate(3)
Available-for-sale	12,254	–	12,254	–	Interest rate(3) and equity(4)
Held-to-maturity	5,473	–	5,473	–	Interest rate(3)
Securities purchased under reverse repurchase agreements and securities borrowed	14,779	–	14,779	–	Interest rate(3)(5)
Loans, net of allowances	120,388	6,440	113,948	–	Interest rate(3)
Customers' liability under acceptances	6,493	–	6,493	–	Interest rate(3)
Derivative financial instruments	9,408	8,521	887	–	Interest rate and exchange rate
Purchased receivables	1,727	–	1,727	–	Interest rate
Defined benefit asset	74	–	74	–	Other
Other	6,967	–	–	6,967	
	234,119	62,377	164,355	7,387	
Liabilities					
Deposits	144,729	4,848	139,881	–	Interest rate(3)
Acceptances	6,493	–	6,493	–	Interest rate(3)
Obligations related to securities sold short	14,544	14,544	–	–	
Obligations related to securities sold under repurchase agreements and securities loaned	23,933	–	23,933	–	Interest rate(3)(5)
Derivative financial instruments	6,551	5,664	887	–	Interest rate and exchange rate
Liabilities related to transferred receivables	19,516	4,151	15,365	–	Interest rate(3)
Defined benefit liability	190	–	190	–	Other
Other	4,647	40	1,346	3,261	Interest rate(3)
Subordinated debt	1,009	–	1,009	–	Interest rate(3)
	221,612	29,247	189,104	3,261	

(1) Trading positions whose risk measures are VaR and SVaR. See the tables that show the VaR and SVaR distributions of the trading portfolios by risk category as well as their correlation effect, which are presented on the following pages and in the Market Risk Management section of the *2016 Annual Report*.
(2) Non-trading positions that use other risk measures.
(3) See the tables that show the VaR and SVaR distributions of the trading portfolios by risk category and their correlation effect as well as the interest rate sensitivity tables, which are presented on the following pages and in the Market Risk Management section of the *2016 Annual Report*.
(4) The fair value of equity securities classified as available-for-sale is presented in Notes 3 and 5 to the consolidated financial statements.
(5) These instruments are recorded at amortized cost and are subject to credit risk for capital management purposes. For transactions with maturities of more than one day, interest rate risk is included in the VaR and SVaR measures when they relate to trading activities.

(millions of Canadian dollars) As at October 31, 2016

	Balance sheet	Market risk measures: Trading[1]	Market risk measures: Non-Trading[2]	Not subject to market risk	Non-traded risk primary risk sensitivity
Assets					
Cash and deposits with financial institutions	8,183	181	7,580	422	Interest rate[3]
Securities					
At fair value through profit or loss	45,964	44,545	1,419	–	Interest rate[3] and other[4]
Available-for-sale	14,608	–	14,608	–	Interest rate[3] and equity[5]
Held-to-maturity	3,969	–	3,969	–	Interest rate[3]
Securities purchased under reverse repurchase agreements and securities borrowed	13,948	–	13,948	–	Interest rate[3][6]
Loans, net of allowances	119,747	6,454	113,293	–	Interest rate[3]
Customers' liability under acceptances, net of allowances	6,431	–	6,431	–	Interest rate[3]
Derivative financial instruments	10,416	9,195	1,221	–	Interest rate[7] and exchange rate
Purchased receivables	1,858	–	1,858	–	Interest rate
Defined benefit asset	48	–	48	–	Other[8]
Other	7,034	–	–	7,034	
	232,206	60,375	164,375	7,456	
Liabilities					
Deposits[9]	142,066	4,826	137,240	–	Interest rate[3]
Acceptances	6,441	–	6,441	–	Interest rate[3]
Obligations related to securities sold short	14,207	14,207	–	–	
Obligations related to securities sold under repurchase agreements and securities loaned	22,636	–	22,636	–	Interest rate[3][6]
Derivative financial instruments	7,725	6,818	907	–	Interest rate[7] and exchange rate
Liabilities related to transferred receivables	20,131	4,378	15,753	–	Interest rate[3]
Defined benefit liability	314	–	314	–	Other[8]
Other[9]	5,572	43	1,346	4,183	Interest rate[3]
Subordinated debt	1,012	–	1,012	–	Interest rate[3]
	220,104	30,272	185,649	4,183	

(1) Trading positions whose risk measures are VaR and SVaR. See the tables that show the VaR and SVaR distributions of the trading portfolios by risk category as well as their correlation effect, which are presented on the following pages and in the Market Risk Management section of the *2016 Annual Report*.
(2) Non-trading positions that use other risk measures.
(3) See the tables that show the VaR and SVaR distributions of the trading portfolios by risk category and their correlation effect as well as the interest rate sensitivity tables, which are presented on the following pages and in the Market Risk Management section of the *2016 Annual Report*.
(4) See the Master Asset Vehicles section in Note 6 to the audited annual consolidated financial statements as at October 31, 2016.
(5) The fair value of equity securities classified as available-for-sale is presented in Notes 3 and 5 to the consolidated financial statements.
(6) These instruments are recorded at amortized cost and are subject to credit risk for capital management purposes. For trading-related transactions with maturities of more than one day, interest rate risk is included in the VaR and SVaR measures.
(7) See Notes 17 and 18 to the audited annual consolidated financial statements as at October 31, 2016.
(8) See Note 24 to the audited annual consolidated financial statements as at October 31, 2016.
(9) An amount of $2.2 billion classified in *Liabilities – Other* as at October 31, 2016 is now reported in *Deposits*.

Trading Activities

The first table below shows the VaR distribution of trading portfolios by risk category as well as their correlation effect. The second table on the next page shows the SVaR distribution, i.e., the VaR of the Bank's current portfolios obtained following the calibration of risk factors over a 12-month stress period.

VaR of Trading Portfolios by Risk Category[1]

(millions of Canadian dollars) Quarter ended

	January 31, 2017				October 31, 2016		January 31, 2016	
	Low	High	Average	Period end	Average	Period end	Average	Period end
Interest rate	(3.1)	(7.8)	(5.7)	(6.4)	(3.1)	(3.6)	(5.1)	(5.3)
Exchange rate	(1.6)	(3.7)	(2.7)	(1.9)	(2.5)	(2.8)	(2.8)	(3.0)
Equity	(2.8)	(4.9)	(3.3)	(2.8)	(3.0)	(3.0)	(4.1)	(4.2)
Commodity	(0.6)	(1.2)	(1.0)	(1.1)	(1.0)	(0.9)	(1.7)	(0.7)
Correlation effect[2]	n.m.	n.m.	6.0	5.9	4.4	5.3	7.3	5.4
Total trading VaR	(4.9)	(9.2)	(6.7)	(6.3)	(5.2)	(5.0)	(6.4)	(7.8)

n.m. Computation of a correlation effect for the high and low is not meaningful, as highs and lows may occur on different days and be attributable to different types of risk.
(1) Amounts are presented on a pre-tax basis and represent one-day VaR using a 99% confidence level.
(2) The total trading VaR is less than the sum of the individual risk factor VaR results due to the correlation effect.

SVaR of Trading Portfolios by Risk Category[1]

(millions of Canadian dollars)								Quarter ended
				January 31, 2017		October 31, 2016		January 31, 2016
	Low	**High**	**Average**	**Period end**	Average	Period end	Average	Period end
Interest rate	**(5.2)**	**(10.1)**	**(7.7)**	**(8.5)**	(5.0)	(6.0)	(9.4)	(9.0)
Exchange rate	**(1.5)**	**(8.6)**	**(3.4)**	**(1.5)**	(2.9)	(3.7)	(3.8)	(8.0)
Equity	**(2.9)**	**(12.7)**	**(5.1)**	**(5.0)**	(3.4)	(3.3)	(5.3)	(6.1)
Commodity	**(0.8)**	**(2.1)**	**(1.4)**	**(1.3)**	(1.1)	(1.0)	(2.4)	(0.9)
Correlation effect[2]	**n.m.**	**n.m.**	**9.4**	**8.9**	7.0	8.2	12.3	13.9
Total trading SVaR	**(5.8)**	**(13.6)**	**(8.2)**	**(7.4)**	(5.4)	(5.8)	(8.6)	(10.1)

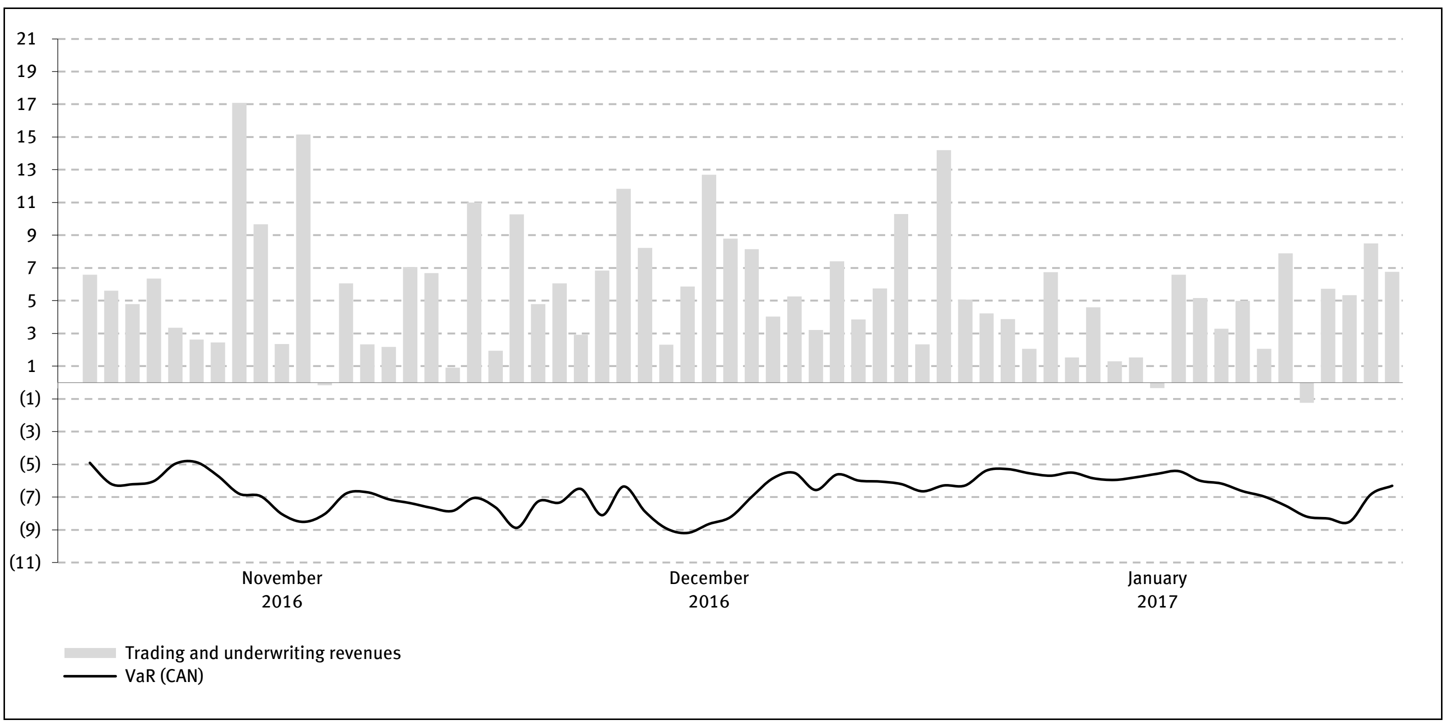
n.m. Computation of a correlation effect for the high and low is not meaningful, as highs and lows may occur on different days and be attributable to different types of risk.
(1) Amounts are presented on a pre-tax basis and represent one-day SVaR using a 99% confidence level.
(2) The total trading SVaR is less than the sum of the individual risk factor SVaR results due to the correlation effect.

Total trading VaR was $6.3 million for the quarter ended January 31, 2017 compared to $5.0 million for the quarter ended October 31, 2016. This increase came mainly from interest rate VaR, which nearly doubled during the period, rising from $3.6 million for the quarter ended October 31, 2016 to $6.4 million for the quarter ended January 31, 2017. Total trading SVaR was $7.4 million for the quarter ended January 31, 2017 compared to $5.8 million for the quarter ended October 31, 2016. This increase came mainly from higher equity SVaR and interest rate SVaR, which were up $1.7 million and $2.5 million, respectively.

Daily Trading and Underwriting Revenues

The following table shows daily trading and underwriting revenues as well as VaR. Daily trading and underwriting revenues were positive more than 95% of the days for the quarter ended January 31, 2017. One trading day was marked by net losses in excess of $1 million. None of these losses exceeded the VaR limit.

Quarter ended January 31, 2017
(millions of Canadian dollars)



Interest Rate Sensitivity – Non-Trading Activities (Before Tax)

The following tables present the potential before-tax impact of an immediate and sustained 100-basis-point increase or decrease in interest rates on the economic value of equity and on net interest income for the next 12 months in the Bank's non-trading portfolios, assuming no further hedging is undertaken.

(millions of Canadian dollars)						As at January 31, 2017
	Impact on equity			Impact on net interest income		
	Canadian dollar	Other currencies	Total	Canadian dollar	Other currencies	Total
100-basis-point increase in the interest rate	(204)	23	(181)	(11)	49	38
100-basis-point decrease in the interest rate	197	(7)	190	29	(34)	(5)

(millions of Canadian dollars)						As at October 31, 2016
	Impact on equity			Impact on net interest income		
	Canadian dollar	Other currencies	Total	Canadian dollar	Other currencies	Total
100-basis-point increase in the interest rate	(210)	26	(184)	(10)	33	23
100-basis-point decrease in the interest rate	169	(33)	136	18	(37)	(19)

Liquidity Risk

Liquidity risk is the risk that the Bank will be unable to honour daily cash and financial obligations without resorting to costly and untimely measures. Liquidity risk arises when sources of funds become insufficient to meet scheduled payments under the Bank's commitments. Liquidity risk stems from mismatched cash flows related to assets and liabilities as well as the characteristics of certain products such as credit commitments and non-fixed-term deposits.

Regulatory Developments

The Bank continues to closely monitor regulatory changes and is actively involved in the consultation processes. For additional information on the regulatory context as at October 31, 2016, which is still the current context, see page 71 of the Risk Management section in the *2016 Annual Report*.

Liquid Assets

To protect depositors and creditors from unexpected crisis situations, the Bank holds a portfolio of unencumbered liquid assets that can be readily liquidated to meet financial obligations. This portfolio consists of highly liquid securities, most of which are issued or guaranteed by governments, and of cash loans maturing in less than 30 days. The majority of unencumbered liquid assets are held in Canadian or U.S. dollars. Moreover, all assets that can be quickly monetized are considered liquid assets. The Bank's liquidity reserves do not factor in the availability of the central bank's emergency liquidity facilities. The following tables provide information on the Bank's encumbered and unencumbered assets.

Liquid Asset Portfolio

(millions of Canadian dollars)					As at January 31, 2017	As at October 31, 2016
	Bank-owned liquid assets(1)	Liquid assets received(2)	Total liquid assets	Encumbered liquid assets(3)	Unencumbered liquid assets	Unencumbered liquid assets
Cash and deposits with financial institutions	8,616	–	8,616	1,658	6,958	6,201
Securities						
Issued or guaranteed by the Canadian government, U.S. Treasury, other U.S. agencies and other foreign governments	21,377	17,807	39,184	22,543	16,641	15,356
Issued or guaranteed by Canadian provincial and municipal governments	16,475	13,879	30,354	23,186	7,168	7,553
Other debt securities	4,404	1,282	5,686	2,418	3,268	3,488
Equity securities	23,411	47,890	71,301	60,952	10,349	9,349
Loans						
Securities backed by insured residential mortgages	10,728	–	10,728	4,161	6,567	4,236
As at January 31, 2017	85,011	80,858	165,869	114,918	50,951	
As at October 31, 2016	80,541	71,292	151,833	105,650		46,183

(millions of Canadian dollars)	As at January 31, 2017	As at October 31, 2016
Unencumbered liquid assets by entity		
National Bank (parent)	29,291	25,951
Domestic subsidiaries	9,618	8,185
Foreign subsidiaries and branches	12,042	12,047
	50,951	46,183

(millions of Canadian dollars)	As at January 31, 2017	As at October 31, 2016
Unencumbered liquid assets by currency		
Canadian dollar	34,108	28,629
U.S. dollar	11,668	13,829
Other currencies	5,175	3,725
	50,951	46,183

Liquid Asset Portfolio – Average(4)

(millions of Canadian dollars)					Quarter ended January 31, 2017
	Bank-owned liquid assets(1)	Liquid assets received(2)	Total liquid assets	Encumbered liquid assets(3)	Unencumbered liquid assets
Cash and deposits with financial institutions	9,415	–	9,415	1,534	7,881
Securities					
Issued or guaranteed by the Canadian government, U.S. Treasury, other U.S. agencies and other foreign governments	21,822	18,431	40,253	23,688	16,565
Issued or guaranteed by Canadian provincial and municipal governments	16,623	13,607	30,230	23,785	6,445
Other debt securities	4,253	1,251	5,504	2,214	3,290
Equity securities	24,876	47,321	72,197	59,724	12,473
Loans					
Securities backed by insured residential mortgages	10,291	–	10,291	3,990	6,301
	87,280	80,610	167,890	114,935	52,955

(1) Bank-owned liquid assets include assets for which there are no legal or geographic restrictions.
(2) Securities received as collateral with respect to securities financing and derivative transactions and securities purchased under reverse repurchase agreements and securities borrowed.
(3) In the normal course of its funding activities, the Bank pledges assets as collateral in accordance with standard terms. Encumbered liquid assets include assets used to cover short sales, obligations related to securities sold under repurchase agreements and securities loaned, guarantees related to security-backed loans and borrowings, collateral related to derivative financial instrument transactions, asset-backed securities and liquid assets legally restricted from transfers.
(4) The average is based on the sum of the end-of-period balances of the three months of the quarter divided by three.

Summary of Encumbered and Unencumbered Assets

(millions of Canadian dollars)						As at January 31, 2017
		Encumbered assets[1]		Unencumbered assets	Total	Encumbered assets as a % of total assets
	Pledged as collateral	Other[2]	Available as collateral	Other[3]		
Cash and deposits with financial institutions	80	1,578	6,958	–	8,616	0.7
Securities	28,476	–	37,191	–	65,667	12.2
Securities purchased under reverse repurchase agreements and securities borrowed	–	14,544	235	–	14,779	6.2
Loans, net of allowances	36,151	–	6,567	77,670	120,388	15.4
Customers' liability under acceptances	–	–	–	6,493	6,493	–
Derivative financial instruments	–	–	–	9,408	9,408	–
Purchased receivables	–	–	–	1,727	1,727	–
Investments in associates and joint ventures	–	–	–	630	630	–
Premises and equipment	–	–	–	1,170	1,170	–
Goodwill	–	–	–	1,410	1,410	–
Intangible assets	–	–	–	1,151	1,151	–
Other assets	–	–	–	2,680	2,680	–
	64,707	16,122	50,951	102,339	234,119	34.5

(millions of Canadian dollars)						As at October 31, 2016
		Encumbered assets[1]		Unencumbered assets	Total	Encumbered assets as a % of total assets
	Pledged as collateral	Other[2]	Available as collateral	Other[3]		
Cash and deposits with financial institutions	94	1,888	6,201	–	8,183	0.9
Securities	28,176	–	35,746	619	64,541	12.1
Securities purchased under reverse repurchase agreements and securities borrowed	–	13,948	–	–	13,948	6.0
Loans, net of allowances	36,151	–	4,236	79,360	119,747	15.6
Customers' liability under acceptances, net of allowances	–	–	–	6,431	6,431	–
Derivative financial instruments	–	–	–	10,416	10,416	–
Purchased receivables	–	–	–	1,858	1,858	–
Investments in associates and joint ventures	–	–	–	645	645	–
Premises and equipment	–	–	–	1,338	1,338	–
Goodwill	–	–	–	1,412	1,412	–
Intangible assets	–	–	–	1,140	1,140	–
Other assets[4]	–	–	–	2,547	2,547	–
	64,421	15,836	46,183	105,766	232,206	34.6

(1) In the normal course of its funding activities, the Bank pledges assets as collateral in accordance with standard terms. Encumbered assets include assets used to cover short sales, obligations related to securities sold under repurchase agreements and securities loaned, guarantees related to security-backed loans and borrowings, collateral related to derivative financial instrument transactions, asset-backed securities, residential mortgage loans securitized and transferred under the Canada Mortgage Bond program, assets held in consolidated trusts supporting the Bank's funding activities and mortgage loans transferred under the covered bond program.

(2) Other encumbered assets include assets for which there are restrictions and therefore cannot be used for collateral or funding purposes as well as assets used to cover short sales.

(3) Other unencumbered assets are assets that cannot be used for collateral or funding purposes in their current form. This category includes assets that are potentially eligible as funding program collateral (for example, mortgages insured by the Canada Mortgage and Housing Corporation (CMHC) that can be securitized into mortgage-backed securities under the *National Housing Act* (Canada)).

(4) The *Due from clients, dealers and brokers* amount of $843 million presented separately on the Consolidated Balance Sheet as at October 31, 2016 is now reported in *Other assets*.

Liquidity Coverage Ratio (LCR)

The LCR was introduced to ensure banks maintain sufficient liquidity to withstand periods of severe short-term stress. OSFI has been requiring Canadian banks to maintain a minimum LCR of 100% since January 1, 2015. An LCR above 100% ensures that banks are holding sufficient high-quality liquid assets (HQLA) to cover net cash outflows given a severe, 30-day liquidity crisis. The assumptions underlying the LCR scenario were established by the BCBS and OSFI.

The following table provides average LCR data calculated using the daily figures in the quarter. For the quarter ended January 31, 2017, the Bank's average LCR was 139%, well above the 100% regulatory requirement and demonstrating the Bank's solid liquidity position.

LCR Disclosure Requirements[1]

(millions of Canadian dollars)			For the quarter ended
		January 31, 2017	October 31, 2016
	Total unweighted value[2] (average)	Total weighted value[3] (average)	Total weighted value[3] (average)
High-quality liquid assets (HQLA)			
1 Total HQLA	n.a.	44,232	36,702
Cash outflows			
2 Retail deposits and deposits from small business customers, of which:	38,109	2,553	2,425
3 Stable deposits	17,973	539	519
4 Less stable deposits	20,136	2,014	1,906
5 Unsecured wholesale funding, of which:	56,397	30,839	26,163
6 Operational deposits (all counterparties)	10,628	2,541	2,791
7 Non-operational deposits (all counterparties)	38,258	20,787	15,342
8 Unsecured debt	7,511	7,511	8,030
9 Secured wholesale funding	n.a.	8,060	6,352
10 Additional requirements, of which:	37,456	9,537	10,465
11 Outflows related to derivative exposures and other collateral requirements	9,277	5,111	5,059
12 Outflows related to loss of funding on secured debt securities	969	969	1,987
13 Backstop liquidity and credit enhancement facilities and commitments to extend credit	27,210	3,457	3,419
14 Other contractual commitments to extend credit	947	321	134
15 Other contingent commitments to extend credit	71,958	809	793
16 Total cash outflows	n.a.	52,119	46,332
Cash inflows			
17 Secured lending (e.g., reverse repos)	57,787	9,494	8,949
18 Inflows from fully performing exposures	7,135	4,049	4,322
19 Other cash inflows	6,825	6,825	5,630
20 Total cash inflows	71,747	20,368	18,901
		Total adjusted value[4]	Total adjusted value[4]
21 Total HQLA	n.a.	44,232	36,702
22 Total net cash outflows	n.a.	31,751	27,431
23 Liquidity coverage ratio (%)[5]	n.a.	139 %	134 %

n.a. Not applicable
(1) OSFI prescribed a table format in order to standardize disclosure throughout the banking industry.
(2) Unweighted values are calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).
(3) Weighted values are calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates.
(4) Total adjusted values are calculated after the application of both haircuts and inflow and outflow rates and any applicable caps.
(5) The data in this table has been calculated using averages of the 62 daily figures in the quarter.

Level 1 liquid assets represent 88% of the Bank's HQLA, which includes cash, central bank deposits, and bonds issued or guaranteed by the Canadian government and Canadian provincial governments.

Cash outflows arise from the application of OSFI-prescribed assumptions on deposits, debt, secured funding, commitments and additional collateral requirements. The cash outflows are partly offset by cash inflows, which come mainly from secured loans and performing loans. The Bank expects some quarter-over-quarter variation between reported LCRs, and such variation may not be indicative of a trend. The variation between the quarter ended January 31, 2017 and the previous quarter was a result of normal business activities. The Bank's liquid asset buffer is well in excess of its total net cash outflows.

The LCR assumptions differ from the assumptions used for the liquidity disclosures provided in the tables on the preceding pages or those used for internal liquidity management rules. While the liquidity disclosure framework was prescribed by the EDTF, the Bank's internal liquidity metrics use assumptions that are calibrated according to its business model and experience.

Funding Risk

Funding risk is defined as the risk to the Bank's ongoing ability to raise sufficient funds to finance actual or proposed business activities on an unsecured or secured basis at an acceptable price. The Bank maintains a good balance of its funding through appropriate diversification of its unsecured funding vehicles, securitization programs and secured funding. The Bank also diversifies its funding by currency, geography and maturity. The funding management priority is to achieve the optimal balance between the deposit liabilities of the Bank's retail network, secured funding and unsecured funding. This brings optimal stability to the funding and reduces vulnerability to unpredictable events.

Funding and liquidity levels remained sound and robust over the period, and the Bank does not foresee any event, commitment or demand that might have a significant impact on its funding and liquidity risk position.

The Bank's balance sheet is well diversified and is aligned with the funding strategy. The core banking activities are funded entirely through personal and commercial deposits and through securitization programs. In addition to core deposits, the Bank also receives non-marketable deposits from governments and corporations. Wholesale funding is invested in cash and securities. The table below presents the residual contractual maturities of the Bank's wholesale funding. The information has been presented in accordance with the categories recommended by the EDTF for comparison purposes with other banks.

Residual Contractual Maturities of Wholesale Funding[1]

(millions of Canadian dollars)								As at January 31, 2017
	1 month or less	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Subtotal 1 year or less	Over 1 year to 2 years	Over 2 years	Total
Deposits from banks[2]	2,089	61	4	–	2,154	–	–	2,154
Certificates of deposit and commercial paper[3]	1,019	1,380	1,019	203	3,621	442	–	4,063
Asset-backed commercial paper	–	–	–	–	–	–	–	–
Senior unsecured medium-term notes[4]	–	2,401	590	4,491	7,482	3,403	4,310	15,195
Senior unsecured structured notes	–	–	–	–	–	20	4,742	4,762
Covered bonds and asset-backed securities								
Mortgage securitization	–	352	1,305	1,657	3,314	3,352	12,850	19,516
Covered bonds	–	–	–	–	–	2,371	4,126	6,497
Securitization of credit card receivables	–	–	–	–	–	36	872	908
Subordinated liabilities[5]	–	1,000	–	–	1,000	–	9	1,009
Other[6]	3,947	–	1	–	3,948	–	–	3,948
	7,055	5,194	2,919	6,351	21,519	9,624	26,909	58,052
Secured funding	–	352	1,305	1,657	3,314	5,759	17,848	26,921
Unsecured funding	7,055	4,842	1,614	4,694	18,205	3,865	9,061	31,131
	7,055	5,194	2,919	6,351	21,519	9,624	26,909	58,052
As at October 31, 2016	6,207	3,880	4,854	5,850	20,791	7,250	29,549	57,590

(1) Bankers' acceptances are not included in this table.
(2) Deposits from banks include all non-negotiable term deposits from banks.
(3) Includes bearer deposit notes.
(4) Certificates of deposit denominated in euros are included in senior unsecured medium-term notes.
(5) Subordinated debt is presented in this table but the Bank does not consider it as part of its wholesale funding.
(6) The *Other* item includes non-negotiable term deposits from non-bank financial institutions such as broker-dealers, pension funds and trust companies.

As part of a comprehensive liquidity management framework, the Bank regularly reviews its contracts that stipulate that additional collateral could be required in the event of a downgrade of the Bank's credit rating. The Bank's liquidity position management already incorporates additional collateral requirements in the event of a one-notch to three-notch downgrade. The table below presents the additional collateral requirements in the event of a one-, two- or three-notch credit rating downgrade.

(millions of Canadian dollars)			As at January 31, 2017
	One-notch downgrade	Two-notch downgrade	Three-notch downgrade
Derivatives[1]	21	37	71

(1) Contractual requirements related to agreements known as Credit Support Annexes.

Residual Contractual Maturities of Balance Sheet Items and Off-Balance-Sheet Commitments

The following tables present balance sheet items and off-balance-sheet commitments by residual contractual maturity as at January 31, 2017 with comparative figures as at October 31, 2016. The information gathered from this maturity analysis is a component of liquidity and funding management. However, this maturity profile does not represent how the Bank manages its interest rate risk nor its liquidity risk and funding needs. The Bank considers factors other than contractual maturity in the assessment of liquid assets or in determining expected future cash flows.

In the normal course of business, the Bank enters into various off-balance-sheet commitments. The credit instruments used to meet the financing needs of its clients represent the maximum amount of additional credit the Bank could be obligated to extend if the commitments were fully drawn.

The Bank also has future minimum commitments under leases for premises as well as for other contracts, mainly contracts for outsourced information technology services. Most of the lease commitments are related to operating leases.

(millions of Canadian dollars)									As at January 31, 2017	
	1 month or less	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specified maturity	Total
Assets										
Cash and deposits with financial institutions	6,520	401	24	7	11	4	–	–	1,649	8,616
Securities										
At fair value through profit or loss	1,535	1,143	1,181	1,228	913	6,866	7,210	5,129	22,735	47,940
Available-for-sale	6	257	2	64	54	491	6,205	4,623	552	12,254
Held-to-maturity	–	–	–	483	25	47	4,336	582	–	5,473
	1,541	1,400	1,183	1,775	992	7,404	17,751	10,334	23,287	65,667
Securities purchased under reverse repurchase agreements and securities borrowed	5,517	2,403	3,852	80	202	1,561	–	–	1,164	14,779
Loans and acceptances(1)										
Residential mortgage	658	1,076	2,620	1,672	1,493	7,904	32,925	1,157	15	49,520
Personal and credit card	861	435	762	602	573	2,512	9,206	2,082	17,472	34,505
Business and government	7,224	2,697	4,372	2,643	3,387	3,188	8,883	2,325	2,430	37,149
Customers' liability under acceptances	5,285	1,071	137	–	–	–	–	–	–	6,493
Allowances for credit losses									(786)	(786)
	14,028	5,279	7,891	4,917	5,453	13,604	51,014	5,564	19,131	126,881
Other										
Derivative financial instruments	553	683	382	468	397	893	2,315	3,717	–	9,408
Purchased receivables									1,727	1,727
Investments in associates and joint ventures									630	630
Premises and equipment									1,170	1,170
Goodwill									1,410	1,410
Intangible assets									1,151	1,151
Other assets(1)	374	98	104	107	78	113	24	84	1,698	2,680
	927	781	486	575	475	1,006	2,339	3,801	7,786	18,176
	28,533	10,264	13,436	7,354	7,133	23,579	71,104	19,699	53,017	234,119

(1) Amounts collectible on demand are considered to have no specified maturity.

(millions of Canadian dollars)										As at January 31, 2017
	1 month or less	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specified maturity	Total
Liabilities and equity										
Deposits(1)(2)										
Personal	1,274	2,083	1,855	1,463	1,901	5,094	8,885	1,964	29,148	53,667
Business and government	9,145	5,113	2,313	3,017	3,165	7,243	8,238	5,342	41,790	85,366
Deposit-taking institutions	3,347	346	30	7	–	–	–	56	1,910	5,696
	13,766	7,542	4,198	4,487	5,066	12,337	17,123	7,362	72,848	144,729
Other										
Acceptances	5,285	1,071	137	–	–	–	–	–	–	6,493
Obligations related to securities sold short(3)	496	494	569	184	271	794	3,683	5,282	2,771	14,544
Obligations related to securities sold under repurchase agreements and securities loaned	11,503	1,405	5,389	2,630	–	–	–	–	3,006	23,933
Derivative financial instruments	507	591	285	285	360	743	1,538	2,242	–	6,551
Liabilities related to transferred receivables(4)	–	352	1,305	551	1,106	3,352	8,496	4,354	–	19,516
Securitization – Credit card(5)	–	–	–	–	–	36	872	–	–	908
Other liabilities – Other items(1)(5)	457	67	16	17	201	28	90	92	2,961	3,929
	18,248	3,980	7,701	3,667	1,938	4,953	14,679	11,970	8,738	75,874
Subordinated debt	–	1,000	–	–	–	–	–	9	–	1,009
Equity									12,507	12,507
	32,014	12,522	11,899	8,154	7,004	17,290	31,802	19,341	94,093	234,119
Off-balance-sheet commitments										
Letters of guarantee and documentary letters of credit	222	80	252	211	979	834	457	215	–	3,250
Credit card receivables(6)									7,336	7,336
Backstop liquidity and credit enhancement facilities(7)	–	–	15	2,753	15	2,298	–	–	–	5,081
Commitments to extend credit(8)	1,160	959	1,611	1,582	2,212	8,081	10,921	467	22,492	49,485
Lease commitments and other contracts	87	169	243	235	222	719	1,526	500	–	3,701

(1) Amounts payable upon demand or notice are considered to have no specified maturity.
(2) The *Deposits* item is presented in greater detail than it is on the Consolidated Balance Sheet.
(3) Amounts are disclosed according to the remaining contractual maturity of the underlying security.
(4) These amounts mainly include liabilities related to the securitization of mortgage loans.
(5) The *Other liabilities* item is presented in greater detail than it is on the Consolidated Balance Sheet.
(6) These amounts are unconditionally revocable at the Bank's discretion at any time.
(7) In the event of payment on one of the backstop liquidity facilities, the Bank will receive as collateral government bonds in an amount up to $2.3 billion.
(8) These amounts include $21.4 billion that is unconditionally revocable at the Bank's discretion at any time.

(millions of Canadian dollars) As at October 31, 2016

	1 month or less	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specified maturity	Total
Assets										
Cash and deposits with financial institutions	5,487	199	21	22	7	–	–	–	2,447	8,183
Securities										
At fair value through profit or loss	1,066	1,207	2,646	702	935	4,800	7,864	5,641	21,103	45,964
Available-for-sale	108	177	134	76	63	365	7,553	5,580	552	14,608
Held-to-maturity	–	–	–	–	472	30	3,263	204	–	3,969
	1,174	1,384	2,780	778	1,470	5,195	18,680	11,425	21,655	64,541
Securities purchased under reverse repurchase agreements and securities borrowed	4,842	2,320	2,846	1,532	10	456	–	–	1,942	13,948
Loans and acceptances(1)										
Residential mortgage	874	1,155	1,607	2,389	1,839	7,764	32,034	1,193	13	48,868
Personal and credit card	873	413	592	724	570	2,235	8,797	2,041	17,719	33,964
Business and government	6,266	2,116	1,937	2,321	1,731	4,684	8,578	2,275	7,778	37,686
Customers' liability under acceptances	5,633	718	90	–	–	–	–	–	–	6,441
Allowances for credit losses									(781)	(781)
	13,646	4,402	4,226	5,434	4,140	14,683	49,409	5,509	24,729	126,178
Other										
Derivative financial instruments	569	730	457	293	219	838	2,628	4,682	–	10,416
Purchased receivables									1,858	1,858
Investments in associates and joint ventures									645	645
Premises and equipment									1,338	1,338
Goodwill									1,412	1,412
Intangible assets									1,140	1,140
Other assets(1)(2)	294	122	71	77	92	123	90	125	1,553	2,547
	863	852	528	370	311	961	2,718	4,807	7,946	19,356
	26,012	9,157	10,401	8,136	5,938	21,295	70,807	21,741	58,719	232,206

(1) Amounts collectible on demand are considered to have no specified maturity.
(2) The *Due from clients, dealers and brokers* amount of $843 million presented separately on the Consolidated Balance Sheet as at October 31, 2016 is now reported in *Other assets*.

(millions of Canadian dollars) As at October 31, 2016

	1 month or less	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specified maturity	Total
Liabilities and equity										
Deposits[1][2]										
Personal[3]	978	1,905	2,827	1,824	1,499	4,448	9,208	1,776	28,056	52,521
Business and government[3][4]	9,493	4,210	4,591	1,981	3,419	5,880	9,012	6,343	38,976	83,905
Deposit-taking institutions[3]	3,466	222	310	31	7	–	–	61	1,543	5,640
	13,937	6,337	7,728	3,836	4,925	10,328	18,220	8,180	68,575	142,066
Other										
Acceptances	5,631	719	91	–	–	–	–	–	–	6,441
Obligations related to securities sold short[5]	84	201	50	41	53	586	4,652	5,629	2,911	14,207
Obligations related to securities sold under repurchase agreements and securities loaned	11,992	1,505	3,555	4,260	–	–	–	–	1,324	22,636
Derivative financial instruments	661	693	486	303	182	740	1,608	3,052	–	7,725
Liabilities related to transferred receivables[6]	–	1,341	324	1,107	548	2,465	9,795	4,551	–	20,131
Securitization – Credit card[7]	424	–	–	–	–	–	873	–	–	1,297
Other liabilities – Other items[1][4][7]	470	296	127	19	77	43	88	197	3,272	4,589
	19,262	4,755	4,633	5,730	860	3,834	17,016	13,429	7,507	77,026
Subordinated debt	–	–	1,003	–	–	–	–	9	–	1,012
Equity									12,102	12,102
	33,199	11,092	13,364	9,566	5,785	14,162	35,236	21,618	88,184	232,206
Off-balance-sheet commitments										
Letters of guarantee and documentary letters of credit	145	614	288	286	282	693	741	212	–	3,261
Credit card receivables[8]									7,187	7,187
Backstop liquidity and credit enhancement facilities[9]	–	2,056	3,898	15	–	–	–	–	–	5,969
Commitments to extend credit[10]	1,149	1,293	1,012	1,927	1,685	8,525	10,565	550	21,109	47,815
Lease commitments and other contracts	87	169	243	236	221	718	1,526	520	–	3,720

(1) Amounts payable upon demand or notice are considered to have no specified maturity.
(2) The *Deposits* item is presented in greater detail than it is on the Consolidated Balance Sheet.
(3) Certain amounts have been revised from those previously reported.
(4) An amount of $2,699 million reported in *Due to clients, dealers and brokers* on the Consolidated Balance Sheet as at October 31, 2016 is now reported in *Deposits – Business and government* ($2,159 million) and in *Other liabilities – Other items* ($540 million).
(5) Amounts are disclosed according to the remaining contractual maturity of the underlying security.
(6) These amounts mainly include liabilities related to the securitization of mortgage loans.
(7) The *Other liabilities* item is presented in greater detail than it is on the Consolidated Balance Sheet.
(8) These amounts are unconditionally revocable at the Bank's discretion at any time.
(9) In the event of payment on one of the backstop liquidity facilities, the Bank will receive as collateral government bonds in an amount up to $2.3 billion.
(10) These amounts include $21.1 billion that is unconditionally revocable at the Bank's discretion at any time.

QUARTERLY FINANCIAL INFORMATION

(millions of Canadian dollars, except per share amounts)	2017				2016			2015	2016	2015
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Total	Total
Total revenues	**1,633**	1,569	1,557	1,425	1,289	1,405	1,510	1,421	5,840	5,746
Net income	**497**	307	478	210	261	347	453	404	1,256	1,619
Earnings per share ($)										
Basic	**1.35**	0.79	1.32	0.52	0.68	0.96	1.29	1.14	3.31	4.56
Diluted	**1.34**	0.78	1.31	0.52	0.67	0.95	1.28	1.13	3.29	4.51
Dividends per common share ($)	**0.56**	0.55	0.55	0.54	0.54	0.52	0.52	0.50	2.18	2.04
Return on common shareholders' equity (%)	**18.4**	11.0	18.7	7.7	9.5	13.6	18.8	17.6	11.7	16.9
Total assets	**234,119**	232,206	229,896	220,734	219,301	216,090	215,560	207,123		
Impaired loans, net	**226**	281	251	300	234	254	254	249		
Per common share ($)										
Book value	**29.51**	28.52	28.39	27.75	27.77	28.26	27.60	27.01		
Share price										
High	**56.60**	47.88	46.65	45.56	44.11	46.33	50.01	49.15		
Low	**46.83**	44.14	40.98	35.95	35.83	40.75	43.78	45.02		

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

CONSOLIDATED BALANCE SHEETS

(unaudited) (millions of Canadian dollars)

	As at January 31, 2017	As at October 31, 2016
Assets		
Cash and deposits with financial institutions	8,616	8,183
Securities (Notes 4 and 5)		
At fair value through profit or loss	47,940	45,964
Available-for-sale	12,254	14,608
Held-to-maturity	5,473	3,969
	65,667	64,541
Securities purchased under reverse repurchase agreements and securities borrowed	14,779	13,948
Loans (Note 6)		
Residential mortgage	49,520	48,868
Personal and credit card	34,505	33,964
Business and government	37,149	37,686
	121,174	120,518
Customers' liability under acceptances	6,493	6,441
Allowances for credit losses	(786)	(781)
	126,881	126,178
Other		
Derivative financial instruments	9,408	10,416
Purchased receivables	1,727	1,858
Investments in associates and joint ventures	630	645
Premises and equipment	1,170	1,338
Goodwill	1,410	1,412
Intangible assets	1,151	1,140
Other assets (Note 8)	2,680	2,547
	18,176	19,356
	234,119	232,206
Liabilities and equity		
Deposits (Notes 4 and 9)	144,729	142,066
Other		
Acceptances	6,493	6,441
Obligations related to securities sold short	14,544	14,207
Obligations related to securities sold under repurchase agreements and securities loaned	23,933	22,636
Derivative financial instruments	6,551	7,725
Liabilities related to transferred receivables (Notes 4 and 7)	19,516	20,131
Other liabilities (Note 10)	4,837	5,886
	75,874	77,026
Subordinated debt	1,009	1,012
Equity		
Equity attributable to the Bank's shareholders (Notes 12 and 16)		
Preferred shares	1,650	1,650
Common shares	2,763	2,645
Contributed surplus	57	73
Retained earnings	7,065	6,706
Accumulated other comprehensive income	173	218
	11,708	11,292
Non-controlling interests (Note 13)	799	810
	12,507	12,102
	234,119	232,206

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

(unaudited) (millions of Canadian dollars)

	Quarter ended January 31	
	2017	2016
Interest income		
Loans	**1,061**	923
Securities at fair value through profit or loss	**161**	165
Available-for-sale securities	**70**	83
Held-to-maturity securities	**19**	–
Deposits with financial institutions	**18**	14
	1,329	1,185
Interest expense		
Deposits	**400**	337
Liabilities related to transferred receivables	**97**	102
Subordinated debt	**8**	8
Other	**26**	22
	531	469
Net interest income	**798**	716
Non-interest income		
Underwriting and advisory fees	**88**	75
Securities brokerage commissions	**58**	59
Mutual fund revenues	**101**	85
Trust service revenues	**123**	114
Credit fees	**83**	84
Card revenues	**33**	29
Deposit and payment service charges	**68**	62
Trading revenues (losses) (Note 15)	**94**	47
Gains (losses) on available-for-sale securities, net	**26**	11
Insurance revenues, net	**31**	26
Foreign exchange revenues, other than trading	**18**	24
Share in the net income of associates and joint ventures	**8**	(4)
Other	**104**	(39)
	835	573
Total revenues	**1,633**	1,289
Provisions for credit losses (Note 6)	**60**	63
	1,573	1,226
Non-interest expenses		
Compensation and employee benefits	**588**	543
Occupancy	**59**	56
Technology	**137**	135
Communications	**16**	17
Professional fees	**66**	61
Other	**103**	91
	969	903
Income before income taxes	**604**	323
Income taxes	**107**	62
Net income	**497**	261
Net income attributable to		
Preferred shareholders	**19**	11
Common shareholders	**459**	228
Bank shareholders	**478**	239
Non-controlling interests	**19**	22
	497	261
Earnings per share *(dollars)* (Note 18)		
Basic	**1.35**	0.68
Diluted	**1.34**	0.67
Dividends per common share *(dollars)*	**0.56**	0.54

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited) (millions of Canadian dollars)

	Quarter ended January 31	
	2017	2016
Net income	**497**	261
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	**(57)**	110
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)	**24**	(91)
Impact of hedging net foreign currency translation (gains) losses reclassified to net income	**–**	5
	(33)	12
Net change in available-for-sale securities		
Net unrealized gains (losses) on available-for-sale securities	**21**	(66)
Net (gains) losses on available-for-sale securities reclassified to net income	**(29)**	(4)
	(8)	(70)
Net change in cash flow hedges		
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**–**	4
Net (gains) losses on designated derivative financial instruments reclassified to net income	**(6)**	(3)
	(6)	1
Share in the other comprehensive income of associates and joint ventures	**–**	4
Items that will not be subsequently reclassified to net income		
Remeasurements of pension plans and other post-employment benefit plans	**119**	(152)
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**(15)**	–
	104	(152)
Total other comprehensive income, net of income taxes	**57**	(205)
Comprehensive income	**554**	56
Comprehensive income attributable to		
Bank shareholders	**537**	33
Non-controlling interests	**17**	23
	554	56

INCOME TAXES – OTHER COMPREHENSIVE INCOME

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

	Quarter ended January 31	
	2017	2016
Net foreign currency translation adjustments		
Net unrealized foreign currency translation gains (losses) on investments in foreign operations	**–**	5
Net foreign currency translation (gains) losses on investments in foreign operations reclassified to net income	**–**	(2)
Impact of hedging net foreign currency translation gains (losses)	**5**	(23)
Impact of hedging net foreign currency translation (gains) losses reclassified to net income	**–**	2
	5	(18)
Net change in available-for-sale securities		
Net unrealized gains (losses) on available-for-sale securities	**6**	(24)
Net (gains) losses on available-for-sale securities reclassified to net income	**(10)**	(1)
	(4)	(25)
Net change in cash flow hedges		
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**–**	2
Net (gains) losses on designated derivative financial instruments reclassified to net income	**(2)**	(1)
	(2)	1
Remeasurements of pension plans and other post-employment benefit plans	**43**	(56)
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**(6)**	–
	36	(98)

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited) (millions of Canadian dollars)

	Quarter ended January 31	
	2017	2016
Preferred shares at beginning (Note 12)	1,650	1,023
Issuance of Series 34 preferred shares	–	400
Redemption of Series 20 preferred shares for cancellation	–	(173)
Preferred shares at end	1,650	1,250
Common shares at beginning (Note 12)	2,645	2,614
Issuances of common shares		
Stock Option Plan	119	13
Impact of shares purchased or sold for trading	3	(4)
Other	(4)	–
Common shares at end	2,763	2,623
Contributed surplus at beginning	73	67
Stock option expense (Note 16)	3	3
Stock options exercised	(19)	(2)
Contributed surplus at end	57	68
Retained earnings at beginning	6,706	6,705
Net income attributable to the Bank's shareholders	478	239
Dividends (Note 12)		
Preferred shares	(19)	(8)
Common shares	(191)	(182)
Premium paid on preferred shares redeemed for cancellation	–	(3)
Share issuance expenses	–	(6)
Remeasurements of pension plans and other post-employment benefit plans	119	(152)
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	(15)	–
Other	(13)	–
Retained earnings at end	7,065	6,593
Accumulated other comprehensive income at beginning	218	145
Net foreign currency translation adjustments	(33)	12
Net change in unrealized gains (losses) on available-for-sale securities	(8)	(70)
Net change in gains (losses) on cash flow hedges	(4)	–
Share in the other comprehensive income of associates and joint ventures	–	4
Accumulated other comprehensive income at end	173	91
Equity attributable to the Bank's shareholders	11,708	10,625
Non-controlling interests at beginning (Note 13)	810	801
Net income attributable to non-controlling interests	19	22
Other comprehensive income attributable to non-controlling interests	(2)	1
Distributions to non-controlling interests	(28)	(35)
Non-controlling interests at end	799	789
Equity	12,507	11,414

ACCUMULATED OTHER COMPREHENSIVE INCOME

	As at January 31, 2017	As at January 31, 2016
Accumulated other comprehensive income		
Net foreign currency translation adjustments	(7)	16
Net unrealized gains (losses) on available-for-sale securities	43	(58)
Net gains (losses) on instruments designated as cash flow hedges	131	124
Share in the other comprehensive income of associates and joint ventures	6	9
	173	91

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (millions of Canadian dollars)

	Quarter ended January 31	
	2017	2016
Cash flows from operating activities		
Net income	497	261
Adjustments for		
Provisions for credit losses	60	63
Amortization of premises and equipment and intangible assets	98	109
Write-off of an equity interest in an associate	–	164
Gain on disposal of an equity interest in a joint venture	(12)	–
Deferred taxes	(18)	4
Translation adjustment on foreign currency denominated subordinated debt	–	1
Losses (gains) on sales of available-for-sale securities, net	(26)	(14)
Impairment losses on available-for-sale securities	–	3
Share in the net income of associates and joint ventures	(8)	4
Stock option expense	3	3
Change in operating assets and liabilities		
Securities at fair value through profit or loss	(1,976)	717
Securities purchased under reverse repurchase agreements and securities borrowed	(831)	2,074
Loans, net of securitization	(1,316)	(4,308)
Deposits	2,663	2,548
Obligations related to securities sold short	337	(1,760)
Obligations related to securities sold under repurchase agreements and securities loaned	1,297	1,592
Derivative financial instruments, net	(166)	(456)
Purchased receivables	131	(101)
Interest and dividends receivable and interest payable	(46)	12
Current tax assets and liabilities	(88)	25
Other items	(252)	(1,106)
	347	(165)
Cash flows from financing activities		
Issuance of preferred shares	–	400
Redemption of preferred shares for cancellation	–	(176)
Issuance of common shares, net of the impact of shares purchased for trading	99	7
Redemption of subordinated debt	–	(500)
Share issuance expenses	–	(6)
Dividends paid	(208)	(193)
Distributions to non-controlling interests	(28)	(35)
	(137)	(503)
Cash flows from investing activities		
Net change in investments in associates and joint ventures	19	–
Purchases of available-for-sale securities	(1,493)	(2,264)
Maturities of available-for-sale securities	329	319
Sales of available-for-sale securities	3,199	1,128
Purchases of held-to-maturity securities	(1,507)	–
Net change in tangible assets leased under operating leases	110	47
Net change in premises and equipment	(23)	(51)
Net change in intangible assets	(50)	(59)
	584	(880)
Impact of currency rate movements on cash and cash equivalents	(361)	570
Increase (decrease) in cash and cash equivalents	433	(978)
Cash and cash equivalents at beginning	8,183	7,567
Cash and cash equivalents at end(1)	8,616	6,589
Supplementary information about cash flows from operating activities		
Interest paid	595	517
Interest and dividends received	1,346	1,234
Income taxes paid	252	20

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

(1) This item is the equivalent of Consolidated Balance Sheet item *Cash and deposits with financial institutions*. It includes an amount of $1.6 billion as at January 31, 2017 ($1.9 billion as at October 31, 2016) for which there are restrictions. In addition, a negligible amount was held in escrow as at January 31, 2017 ($3 million as at October 31, 2016).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) (millions of Canadian dollars)

NOTE 1 – BASIS OF PRESENTATION

On February 28, 2017, the Board of Directors authorized the publication of the Bank's unaudited interim condensed consolidated financial statements (the consolidated financial statements) for the quarter ended January 31, 2017.

The Bank's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The financial statements also comply with section 308(4) of the *Bank Act* (Canada), which states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions (Canada) (OSFI), the consolidated financial statements are to be prepared in accordance with IFRS. None of the OSFI accounting requirements are exceptions to IFRS.

These consolidated financial statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting* using the same accounting policies described in Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2016. Since these interim consolidated financial statements do not include all of the annual financial statement disclosures required under IFRS, they should be read in conjunction with the audited annual consolidated financial statements and accompanying notes for the year ended October 31, 2016.

On November 1, 2016, the Bank reclassified certain Personal and Commercial segment revenues in the Consolidated Statement of Income to better reflect the nature of the revenues reported. As a result, for the quarter ended January 31, 2016, an amount of $10 million reported in *Non-interest income – Credit fees* was reclassified to *Interest income – Loans*.

Also on November 1, 2016, the Bank changed the presentation of certain items on the Consolidated Balance Sheet, and certain amounts were revised from those previously reported. The *Due from clients, dealers and brokers* item as at October 31, 2016 is now presented in *Other assets* on the Consolidated Balance Sheet. All deposits have been grouped into a single *Deposits* item. To better reflect the nature of certain liabilities on the Consolidated Balance Sheet, an amount of $2.2 billion reported in the *Due to clients, dealers and brokers* item was reclassified to the *Deposits* item as at October 31, 2016. The *Due to clients, dealers and brokers* item is now presented in *Other liabilities* on the Consolidated Balance Sheet.

Unless otherwise indicated, all amounts are presented in Canadian dollars, which is the Bank's functional and presentation currency.

NOTE 2 – FUTURE ACCOUNTING POLICY CHANGES

The Bank closely monitors both new accounting standards and amendments to existing accounting standards issued by the IASB. The Bank is currently assessing how adoption of new and amended IASB accounting standards will impact the consolidated financial statements. For additional information on future accounting policy changes, see Note 2 to the 2016 audited annual consolidated financial statements.

(unaudited) (millions of Canadian dollars)

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value and Carrying Value of Financial Instruments by Category

Financial assets and financial liabilities are recognized on the Consolidated Balance Sheet at fair value or at amortized cost in accordance with the categories set out in the accounting framework for financial instruments.

							As at January 31, 2017
	Carrying value and fair value			Carrying value	Fair value		
	Financial instruments classified as at fair value through profit or loss	Financial instruments designated at fair value through profit or loss	Available-for-sale	Financial instruments at amortized cost	Financial instruments at amortized cost	Total carrying value	Total fair value
Financial assets							
Cash and deposits with financial institutions	–	–	–	8,616	8,616	8,616	8,616
Securities	47,185	755	12,254	5,473	5,504	65,667	65,698
Securities purchased under reverse repurchase agreements and securities borrowed	–	–	–	14,779	14,779	14,779	14,779
Loans and acceptances	6,333	107	–	120,441	121,257	126,881	127,697
Other							
Derivative financial instruments	9,408	–	–	–	–	9,408	9,408
Purchased receivables	–	–	–	1,727	1,727	1,727	1,727
Other assets	–	–	–	1,415	1,415	1,415	1,415
Financial liabilities							
Deposits	–	4,582		140,147 (1)	140,946	144,729	145,528
Other							
Acceptances	–	–		6,493	6,493	6,493	6,493
Obligations related to securities sold short	14,544	–		–	–	14,544	14,544
Obligations related to securities sold under repurchase agreements and securities loaned	–	–		23,933	23,933	23,933	23,933
Derivative financial instruments	6,551	–		–	–	6,551	6,551
Liabilities related to transferred receivables	–	5,955		13,561	13,582	19,516	19,537
Other liabilities	40	–		2,667	2,677	2,707	2,717
Subordinated debt	–	–		1,009	1,013	1,009	1,013

(1) Including embedded derivative financial instruments.

(unaudited) (millions of Canadian dollars)

As at October 31, 2016

	Carrying value and fair value			Carrying value	Fair value		
	Financial instruments classified as at fair value through profit or loss	Financial instruments designated at fair value through profit or loss	Available-for-sale	Financial instruments at amortized cost	Financial instruments at amortized cost	Total carrying value	Total fair value
Financial assets							
Cash and deposits with financial institutions	–	–	–	8,183	8,183	8,183	8,183
Securities	44,499	1,465	14,608	3,969	3,993	64,541	64,565
Securities purchased under reverse repurchase agreements and securities borrowed	–	158	–	13,790	13,790	13,948	13,948
Loans and acceptances	6,290	164	–	119,724	120,641	126,178	127,095
Other							
Derivative financial instruments	10,416	–	–	–	–	10,416	10,416
Purchased receivables	–	–	–	1,858	1,858	1,858	1,858
Other assets(1)	–	–	–	1,317	1,317	1,317	1,317
Financial liabilities							
Deposits(2)	–	4,655		137,411 (3)	138,267	142,066	142,922
Other							
Acceptances	–	–		6,441	6,441	6,441	6,441
Obligations related to securities sold short	14,207	–		–	–	14,207	14,207
Obligations related to securities sold under repurchase agreements and securities loaned	–	–		22,636	22,636	22,636	22,636
Derivative financial instruments	7,725	–		–	–	7,725	7,725
Liabilities related to transferred receivables	–	6,206		13,925	13,974	20,131	20,180
Other liabilities(2)	43	–		3,158	3,173	3,201	3,216
Subordinated debt	–	–		1,012	1,013	1,012	1,013

(1) The *Due from clients, dealers and brokers* amount of $843 million presented separately on the Consolidated Balance Sheet as at October 31, 2016 is now reported in *Other assets*.
(2) An amount of $2,699 million reported in *Due to clients, dealers and brokers* on the Consolidated Balance Sheet as at October 31, 2016 is now reported in *Deposits* ($2,159 million) and in *Other liabilities* ($540 million).
(3) Including embedded derivative financial instruments.

Establishing Fair Value

The fair value of a financial instrument is the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction in the principal market at the measurement date under current market conditions (i.e., an exit price).

Unadjusted quoted prices in active markets provide the best evidence of fair value. When there is no quoted price in an active market, the Bank applies other valuation techniques that maximize the use of relevant observable inputs and that minimize the use of unobservable inputs. Such valuation techniques include the following: using information available from recent market transactions, referring to the current fair value of a comparable financial instrument, applying discounted cash flow analysis, applying option pricing models, or relying on any other valuation technique that is commonly used by market participants and has proven to yield reliable estimates. Judgment is required when applying many of the valuation techniques.

Fair value is established in accordance with a rigorous control framework. The Bank has policies and procedures that govern the process for determining fair value. The Bank's valuation governance structure has remained largely unchanged from that described in Note 3 to the audited annual consolidated financial statements for the year ended October 31, 2016. The valuation techniques used to determine the fair value of financial assets and liabilities are also described in this note, and no significant changes have been made to the valuation techniques.

(unaudited) (millions of Canadian dollars)

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS (cont.)

Financial Instruments Recorded at Fair Value on the Consolidated Balance Sheet

Hierarchy of Fair Value Measurements

IFRS establishes a fair value hierarchy that classifies the inputs used in financial instrument fair value measurement techniques according to three levels. This fair value hierarchy requires observable market inputs to be used whenever such inputs exist. According to the hierarchy, the highest level of inputs are unadjusted quoted prices in active markets for identical instruments and the lowest level of inputs are unobservable inputs. If inputs from different levels of the hierarchy are used, the financial instrument is classified in the same level as the lowest level input that is significant to the fair value measurement. For additional information, see Note 3 to the audited annual consolidated financial statements for the year ended October 31, 2016.

Transfers of financial instruments between Levels 1 and 2 and transfers to (or from) Level 3 are deemed to have taken place at the beginning of the quarter in which the transfer occurred. Significant transfers can occur between the fair value hierarchy levels due to new information on inputs used to determine fair value and the observable nature of those inputs.

During the quarter ended January 31, 2017, there were no significant transfers between Levels 1 and 2 (for the quarter ended January 31, 2016, $18 million in securities classified as at fair value through profit or loss was transferred from Level 2 to Level 1 due to changing market conditions). Conversely, during the quarters ended January 31, 2017 and 2016, financial instruments were transferred to (or from) Level 3 due to changes in the availability of observable market inputs resulting from changing market conditions.

The following tables show financial instruments recorded at fair value on the Consolidated Balance Sheet according to the fair value hierarchy.

				As at January 31, 2017
	Level 1	Level 2	Level 3	Total financial assets/liabilities at fair value
Financial assets				
Securities				
At fair value through profit or loss				
Securities issued or guaranteed by				
Canadian government	2,102	5,266	–	7,368
Canadian provincial and municipal governments	–	11,294	–	11,294
U.S. Treasury, other U.S. agencies and other foreign governments	3,723	280	–	4,003
Other debt securities	–	2,520	–	2,520
Equity securities	21,980	765	10	22,755
	27,805	20,125	10	47,940
Available-for-sale				
Securities issued or guaranteed by				
Canadian government	113	5,821	–	5,934
Canadian provincial and municipal governments	–	4,115	–	4,115
U.S. Treasury, other U.S. agencies and other foreign governments	567	2	–	569
Other debt securities	–	956	24	980
Equity securities	203	175	278	656
	883	11,069	302	12,254
Loans and acceptances	–	6,440	–	6,440
Other				
Derivative financial instruments	55	9,216	137	9,408
	28,743	46,850	449	76,042
Financial liabilities				
Deposits	–	4,847	1	4,848
Other				
Obligations related to securities sold short	9,258	5,286	–	14,544
Derivative financial instruments	120	6,322	109	6,551
Liabilities related to transferred receivables	–	5,955	–	5,955
Other liabilities	–	40	–	40
	9,378	22,450	110	31,938

(unaudited) (millions of Canadian dollars)

				As at October 31, 2016
	Level 1	Level 2	Level 3	Total financial assets/liabilities at fair value
Financial assets				
Securities				
At fair value through profit or loss				
Securities issued or guaranteed by				
Canadian government	2,284	4,904	–	7,188
Canadian provincial and municipal governments	–	10,547	–	10,547
U.S. Treasury, other U.S. agencies and other foreign governments	3,968	206	–	4,174
Other debt securities	–	2,934	–	2,934
Equity securities	20,410	693	18	21,121
	26,662	19,284	18	45,964
Available-for-sale				
Securities issued or guaranteed by				
Canadian government	241	6,040	–	6,281
Canadian provincial and municipal governments	–	4,996	–	4,996
U.S. Treasury, other U.S. agencies and other foreign governments	1,614	95	–	1,709
Other debt securities	–	948	30	978
Equity securities	201	168	275	644
	2,056	12,247	305	14,608
Securities purchased under reverse repurchase agreements and securities borrowed	–	158	–	158
Loans and acceptances	–	6,454	–	6,454
Other				
Derivative financial instruments	87	10,196	133	10,416
	28,805	48,339	456	77,600
Financial liabilities				
Deposits	–	4,788	7	4,795
Other				
Obligations related to securities sold short	8,732	5,475	–	14,207
Derivative financial instruments	117	7,490	118	7,725
Liabilities related to transferred receivables	–	6,206	–	6,206
Other liabilities	–	43	–	43
	8,849	24,002	125	32,976

(unaudited) (millions of Canadian dollars)

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS (cont.)

Financial Instruments Classified in Level 3

The Bank classifies financial instruments in Level 3 when the valuation technique is based on at least one significant input that is not observable in the markets. The Bank maximizes the use of observable inputs to determine the fair value of financial instruments.

For a description of the valuation techniques and significant unobservable inputs used in determining the fair value of financial instruments classified in Level 3, see Note 3 to the audited annual consolidated financial statements for the fiscal year ended October 31, 2016. For the quarter ended January 31, 2017, no significant change was made to the valuation techniques and significant unobservable inputs used in determining fair value.

The following tables show the significant unobservable inputs used for the fair value measurements of financial instruments classified in Level 3 of the hierarchy.

				As at January 31, 2017	
		Primary	Significant	Range of input values	
	Fair value	valuation techniques	unobservable inputs	Low	High
Financial assets					
Securities					
Equity securities and other debt securities	312	Net asset value	Net asset value	100 %	100 %
		Market comparable	EV/EBITDA(1) multiple	11 x	14 x
		Price-based model	Price equivalent	71 %	157 %
Other					
Derivative financial instruments					
Interest rate contracts	1	Discounted cash flows	Discount rate	2.20 %	2.20 %
Equity contracts	136	Option pricing model	Long-term volatility	10 %	36 %
			Market correlation	(58) %	(58) %
	449				
Financial liabilities					
Deposits					
Structured deposit notes	1	Option pricing model	Long-term volatility	10 %	50 %
			Market correlation	(50) %	85 %
Other					
Derivative financial instruments					
Equity contracts	109	Option pricing model	Long-term volatility	10 %	25 %
			Market correlation	(58) %	85 %
	110				

(1) EV/EBITDA means Enterprise Value/Earnings Before Interest, Taxes, Depreciation and Amortization.

(unaudited) (millions of Canadian dollars)

As at October 31, 2016

	Fair value	Primary valuation techniques	Significant unobservable inputs	Range of input values	
				Low	High
Financial assets					
Securities					
Other restructured notes of the					
MAV I and MAV II conduits	6	Net asset value	Net asset value	100 %	100 %
Equity securities and other debt securities	317	Net asset value	Net asset value	100 %	100 %
		Market comparable	EV/EBITDA(1) multiple	11 x	14 x
		Price-based model	Price equivalent	71 %	121 %
Other					
Derivative financial instruments					
Interest rate contracts	2	Discounted cash flows	Discount rate	2.20 %	2.20 %
Equity contracts	131	Option pricing model	Long-term volatility	10 %	25 %
			Market correlation	(56) %	(56) %
	456				
Financial liabilities					
Deposits					
Structured deposit notes	7	Option pricing model	Long-term volatility	10 %	55 %
			Market correlation	(33) %	87 %
Other					
Derivative financial instruments					
Equity contracts	118	Option pricing model	Long-term volatility	10 %	54 %
			Market correlation	(56) %	87 %
	125				

(1) EV/EBITDA means Enterprise Value/Earnings Before Interest, Taxes, Depreciation and Amortization.

Sensitivity Analysis of Financial Instruments Classified in Level 3

The Bank performs sensitivity analyses for the fair value measurements of financial instruments classified in Level 3, substituting unobservable inputs with one or more reasonably possible alternative assumptions.

For equity securities and other debt securities, the Bank varies significant unobservable inputs such as net asset values, credit spreads, or EV/EBITDA multiples and price equivalents, and establishes a reasonable fair value range that could result in a $40 million increase or decrease in the fair value recorded as at January 31, 2017 (a $40 million increase or decrease as at October 31, 2016).

For derivative financial instruments and embedded derivatives related to structured deposit notes, the Bank varies long-term volatility and market correlation inputs and establishes a reasonable fair value range. As at January 31, 2017, for derivative financial instruments, the net fair value could result in a $4 million increase or decrease ($7 million increase or decrease as at October 31, 2016), whereas for structured deposit notes, fair value could result in a less than $1 million increase or decrease ($1 million increase or decrease as at October 31, 2016).

(unaudited) (millions of Canadian dollars)

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS (cont.)

Change in the Fair Value of Financial Instruments Classified in Level 3

The Bank may hedge the fair value of financial instruments classified in the various levels through offsetting hedge positions. Gains and losses for financial instruments classified in Level 3 presented in the following tables do not reflect the inverse gains and losses on financial instruments used for economic hedging purposes that may have been classified in Level 1 or 2 by the Bank. In addition, the Bank may hedge the fair value of financial instruments classified in Level 3 using other financial instruments classified in Level 3. The effect of these hedges is not included in the net amount presented in the following tables. The gains and losses presented hereafter may comprise changes in fair value based on observable and unobservable inputs.

				Quarter ended January 31, 2017
	Securities at fair value through profit or loss	**Available-for-sale securities**	**Derivative financial instruments[1]**	**Deposits**
Fair value as at October 31, 2016	**18**	**305**	**15**	**(7)**
Total realized and unrealized gains (losses) included in *Net income*[2]	**(1)**	**–**	**6**	**–**
Total realized and unrealized gains (losses) included in *Other comprehensive income*	**–**	**(1)**	**–**	**–**
Purchases	**–**	**1**	**–**	**–**
Sales	**(9)**	**–**	**–**	**–**
Issuances	**–**	**–**	**–**	**–**
Settlements and other	**–**	**(3)**	**4**	**2**
Financial instruments transferred into Level 3	**2**	**–**	**–**	**(1)**
Financial instruments transferred out of Level 3	**–**	**–**	**3**	**5**
Fair value as at January 31, 2017	**10**	**302**	**28**	**(1)**
Change in unrealized gains and losses included in *Net income* with respect to financial assets and financial liabilities held as at January 31, 2017[3]	**(1)**	**–**	**6**	**–**

				Quarter ended January 31, 2016
	Securities at fair value through profit or loss	Available-for-sale securities	Derivative financial instruments[1]	Deposits
Fair value as at October 31, 2015	21	261	(38)	(20)
Total realized and unrealized gains (losses) included in *Net income*[4]	–	4	2	8
Total realized and unrealized gains (losses) included in *Other comprehensive income*	–	5	–	–
Purchases	–	38	–	–
Sales	(3)	(1)	–	–
Issuances	–	–	–	(4)
Settlements and other	–	(4)	10	3
Financial instruments transferred into Level 3	–	–	7	(21)
Financial instruments transferred out of Level 3	–	–	(6)	4
Fair value as at January 31, 2016	18	303	(25)	(30)
Change in unrealized gains and losses included in *Net income* with respect to financial assets and financial liabilities held as at January 31, 2016[5]	–	–	2	8

(1) The derivative financial instruments include assets and liabilities presented on a net basis.
(2) Total net gains included in *Non-interest income* was $5 million.
(3) Total unrealized gains included in *Non-interest income* was $5 million.
(4) Total net gains included in *Non-interest income* was $14 million.
(5) Total unrealized gains included in *Non-interest income* was $10 million.

(unaudited) (millions of Canadian dollars)

NOTE 4 – FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

The Bank chose to designate certain financial instruments at fair value through profit or loss according to criteria presented in Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2016. Consistent with its risk management strategy and as permitted by the fair value option, when the designation eliminates or significantly reduces the measurement or recognition mismatch resulting from measuring financial assets and liabilities on different bases, the Bank designated at fair value through profit or loss certain securities, certain securities purchased under reverse repurchase agreements, and certain liabilities related to transferred receivables. The fair value of liabilities related to transferred receivables does not include credit risk, as the holders of these liabilities are not exposed to the Bank's credit risk.

The Bank also designated certain deposits that include embedded derivative financial instruments and certain loans at fair value through profit or loss. There is no exposure to credit risk on the loans to the extent that they are fully collateralized.

To determine a change in fair value arising from a change in the credit risk of deposits designated at fair value through profit or loss, the Bank calculates, at the beginning of the period, the present value of the instrument's contractual cash flows using the following rates: first, using an observed discount rate for similar securities that reflects the Bank's credit spread and, then, using a rate that excludes the Bank's credit spread. The difference obtained between the two values is then compared to the difference obtained using the same rates at the end of the period.

Information about the financial assets and financial liabilities designated at fair value through profit or loss is provided in the following tables.

	Carrying value as at January 31, 2017	Change in total fair value (including the change in the fair value attributable to credit risk) for the quarter ended January 31, 2017	Change in fair value since the initial recognition of the instrument
Financial assets designated at fair value through profit or loss			
Securities	755	(4)	18
Loans	107	(26)	(53)
	862	(30)	(35)
Financial liabilities designated at fair value through profit or loss			
Deposits(1)(2)	4,582	42	38
Liabilities related to transferred receivables	5,955	57	(150)
	10,537	99	(112)

	Carrying value as at January 31, 2016	Change in total fair value (including the change in the fair value attributable to credit risk) for the quarter ended January 31, 2016	Change in fair value since the initial recognition of the instrument
Financial assets designated at fair value through profit or loss			
Securities	2,250	8	353
Securities purchased under reverse repurchase agreements	593	–	–
Loans	135	1	(24)
	2,978	9	329
Financial liabilities designated at fair value through profit or loss			
Deposits(1)(2)	3,105	150	187
Liabilities related to transferred receivables	5,822	(22)	(270)
	8,927	128	(83)

(1) For the quarter ended January 31, 2017, the change in the fair value of deposits designated at fair value through profit or loss attributable to credit risk, and recorded in *Other comprehensive income,* resulted in a loss of $21 million ($15 million gain recorded in *Non-interest income* in the Consolidated Statement of Income for the quarter ended January 31, 2016).
(2) The amount at maturity that the Bank will be contractually required to pay to the holders of these deposits varies and will differ from the reporting date fair value.

(unaudited) (millions of Canadian dollars)

NOTE 5 – SECURITIES

Gross Gains (Losses) on Available-for-Sale Securities

				As at January 31, 2017
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value
Securities issued or guaranteed by				
Canadian government	5,914	36	(16)	5,934
Canadian provincial and municipal governments	4,015	129	(29)	4,115
U.S. Treasury, other U.S. agencies and other foreign governments	592	–	(23)	569
Other debt securities	970	17	(7)	980
Equity securities	567	110	(21)	656
	12,058	292	(96)	12,254

				As at October 31, 2016
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value
Securities issued or guaranteed by				
Canadian government	6,201	83	(3)	6,281
Canadian provincial and municipal governments	4,704	312	(20)	4,996
U.S. Treasury, other U.S. agencies and other foreign governments	1,702	11	(4)	1,709
Other debt securities	951	29	(2)	978
Equity securities	588	94	(38)	644
	14,146	529	(67)	14,608

Impairment Losses Recognized

At the end of each financial reporting period, the Bank determines whether there is objective evidence of impairment for each available-for-sale security. During the quarter ended January 31, 2017, no impairment loss ($3 million for the quarter ended January 31, 2016) was recognized in *Gains (losses) on available-for-sale securities, net* in the Consolidated Statement of Income. In addition, during the quarters ended January 31, 2017 and 2016, no amounts were reversed in the Consolidated Statement of Income to recognize subsequent increases in the fair value of previously impaired debt securities.

Gross Unrealized Losses

As at January 31, 2017 and as at October 31, 2016, the Bank concluded that the gross unrealized losses on available-for-sale securities were mainly due to market price fluctuations and to changes in foreign exchange rates and that there was no objective evidence of impairment requiring an impairment charge to be recognized in the Consolidated Statement of Income.

Master Asset Vehicles (MAV)

As at January 31, 2017, the carrying value of the restructured notes of the MAV conduits and of the other restructured notes held by the Bank was nil ($619 million as at October 31, 2016). The change in the carrying value of the restructured notes of the MAV conduits during the quarter ended January 31, 2017 was mainly attributable to capital repayments.

During the quarter ended January 31, 2017, revenues amounting to $4 million were recorded to reflect capital repayments ($7 million during the quarter ended January 31, 2016). These amounts were recorded in *Trading revenues* in the Consolidated Statement of Income.

Held-to-Maturity Securities

At the end of each financial reporting period, the Bank determines whether there is objective evidence of impairment for each held-to-maturity security. As at January 31, 2017, there was no objective evidence of impairment on held-to-maturity securities.

(unaudited) (millions of Canadian dollars)

NOTE 6 – LOANS

Credit Quality

	As at January 31, 2017			
	Residential mortgage	Personal and credit card	Business and government[1][2]	Total
Neither past due[3] nor impaired	49,204	34,145	43,245	126,594
Past due[3] but not impaired	244	279	108	631
Impaired	72	81	289	442
Gross loans	49,520	34,505	43,642	127,667
Less: Allowances on impaired loans				
Individual allowances	13	20	162	195
Collective allowances	–	18	3	21
Allowances on impaired loans	13	38	165	216
	49,507	34,467	43,477	127,451
Less:				
Sectoral allowance on non-impaired loans – Oil and gas[4]				204
Collective allowance on non-impaired loans[5]				366
				570
Loans and acceptances, net of allowances				126,881

	As at October 31, 2016			
	Residential mortgage	Personal and credit card	Business and government[1][2]	Total
Neither past due[3] nor impaired	48,552	33,591	43,673	125,816
Past due[3] but not impaired	245	294	112	651
Impaired	71	79	342	492
Gross loans	48,868	33,964	44,127	126,959
Less: Allowances on impaired loans				
Individual allowances	13	20	156	189
Collective allowances	–	19	3	22
Allowances on impaired loans	13	39	159	211
	48,855	33,925	43,968	126,748
Less:				
Sectoral allowance on non-impaired loans – Oil and gas[4]				204
Collective allowance on non-impaired loans[5]				366
				570
Loans and acceptances, net of allowances				126,178

(1) Business credit portfolios are closely monitored and a monthly watchlist of problem commitments is produced. The watchlist is analyzed by the loan portfolio managers concerned, who must then submit a report to Credit Risk Management.
(2) Including customers' liability under acceptances.
(3) A loan is past due when the counterparty has not made a payment by the contractual due date.
(4) The sectoral allowance on non-impaired loans was established collectively for the portfolio of loans to producers and service companies in the oil and gas sector.
(5) The collective allowance for credit risk on non-impaired loans was established taking into account the Bank's overall credit portfolio, except for loans covered by the sectoral allowance.

(unaudited) (millions of Canadian dollars)

NOTE 6 – LOANS (cont.)

Loans Past Due But Not Impaired[1]

	As at January 31, 2017			As at October 31, 2016		
	Residential mortgage	**Personal and credit card**	**Business and government**	Residential mortgage	Personal and credit card	Business and government
Past due but not impaired						
31 to 60 days	**117**	**91**	**43**	115	112	51
61 to 90 days	**40**	**38**	**17**	48	36	9
Over 90 days	**87**	**150**	**48**	82	146	52
	244	**279**	**108**	245	294	112

(1) Loans less than 31 days past due are not presented as they are not considered past due from an administrative standpoint.

Impaired Loans

	As at January 31, 2017			
	Gross	**Individual allowances**	**Collective allowances**	**Net**
Loans				
Residential mortgage	**72**	**13**	**–**	**59**
Personal and credit card	**81**	**20**	**18**	**43**
Business and government	**289**	**162**	**3**	**124**
	442	**195**	**21**	**226**

	As at October 31, 2016			
	Gross	Individual allowances	Collective allowances	Net
Loans				
Residential mortgage	71	13	–	58
Personal and credit card	79	20	19	40
Business and government[1]	342	156	3	183
	492	189	22	281

(1) Includes customers' liability under acceptances.

(unaudited) (millions of Canadian dollars)

Allowances for Credit Losses

	Quarter ended January 31, 2017						
	Balance at beginning	**Provisions for credit losses**	**Write-offs**	**Write-offs on credit cards**	**Recoveries and other[1]**	**Transfers[2]**	**Balance at end**
Allowances on impaired loans							
Residential mortgage							
Individual allowances	13	3	(3)	–	–	–	13
Collective allowances	–	–	–	–	–	–	–
Personal and credit card							
Individual allowances	20	36	(15)	(21)	–	–	20
Collective allowances	19	7	(10)	–	2	–	18
Business and government							
Individual allowances	156	13	(8)	–	1	–	162
Collective allowances	3	1	(1)	–	–	–	3
Individual allowances	189	52	(26)	(21)	1	–	195
Collective allowances	22	8	(11)	–	2	–	21
	211	60	(37)	(21)	3	–	216
Sectoral allowance on non-impaired loans – Oil and gas[3]	204	–	–	–	–	–	204
Collective allowance on non-impaired loans[4]	366	–	–	–	–	–	366
	570	–	–	–	–	–	570
	781	60	(37)	(21)	3	–	786

	Quarter ended January 31, 2016						
	Balance at beginning	Provisions for credit losses	Write-offs	Write-offs on credit cards	Recoveries and other[1]	Transfers[2]	Balance at end
Allowances on impaired loans							
Residential mortgage							
Individual allowances	10	3	(4)	–	–	–	9
Collective allowances	–	–	–	–	–	–	–
Personal and credit card							
Individual allowances	18	31	(11)	(21)	–	–	17
Collective allowances	22	8	(10)	–	2	–	22
Business and government							
Individual allowances	151	20	(19)	–	(2)	–	150
Collective allowances	2	1	(1)	–	–	–	2
Individual allowances	179	54	(34)	(21)	(2)	–	176
Collective allowances	24	9	(11)	–	2	–	24
	203	63	(45)	(21)	–	–	200
Collective allowance on non-impaired loans[4]	366	–	–	–	–	–	366
	569	63	(45)	(21)	–	–	566

(1) Includes foreign exchange movements.
(2) When a loan covered by the *Sectoral allowance on non-impaired loans – Oil and gas* becomes impaired, the sectoral allowance related to that loan is transferred to the individual allowances on impaired loans.
(3) The sectoral allowance on non-impaired loans was established collectively for the portfolio of loans to producers and service companies in the oil and gas sector.
(4) The collective allowance for credit risk on non-impaired loans was established taking into account the Bank's overall credit portfolio, except for loans covered by the sectoral allowance.

(unaudited) (millions of Canadian dollars)

NOTE 7 – FINANCIAL ASSETS TRANSFERRED BUT NOT DERECOGNIZED

In the normal course of its business, the Bank enters into transactions in which it transfers financial assets such as securities or loans directly to third parties, in particular structured entities. According to the terms of some of those transactions, the Bank retains substantially all of the risks and rewards related to those financial assets. The risks include credit risk, interest rate risk, foreign exchange risk, prepayment risk and other price risks, whereas the rewards include income streams associated with the financial assets. As such, those financial assets are not derecognized and the transactions are treated as collateralized or secured borrowings.

The following table provides additional information about the nature of the transferred financial assets that do not qualify for derecognition and the associated liabilities.

	As at January 31, 2017	As at October 31, 2016
Carrying value of financial assets transferred but not derecognized		
Securities(1)	**45,858**	39,989
Residential mortgages	**18,820**	19,093
	64,678	59,082
Carrying value of associated liabilities(2)	**35,021**	34,992
Fair value of financial assets transferred but not derecognized		
Securities(1)	**45,858**	39,989
Residential mortgages	**19,100**	19,403
	64,958	59,392
Fair value of associated liabilities(2)	**35,056**	35,041

(1) The amount related to the securities loaned is the maximum amount of Bank securities that can be lent. For the obligations related to securities sold under repurchase agreements, the amount includes the Bank's own financial assets as well as those of third parties.
(2) Associated liabilities include obligations related to securities sold under repurchase agreements before the offsetting impact of $2,970 million as at January 31, 2017 ($3,521 million as at October 31, 2016) and liabilities related to transferred receivables. Liabilities related to securities loaned are not included, as the Bank can lend its own financial assets and those of third parties. The carrying value and fair value of liabilities related to securities loaned were $11,383 million as at January 31, 2017 ($11,296 million as at October 31, 2016).

The following table specifies the nature of the transactions related to financial assets transferred but not derecognized.

	As at January 31, 2017	As at October 31, 2016
Carrying value of financial assets transferred but not derecognized		
Securities backed by insured residential mortgage loans and other securities sold to Canada Housing Trust	**19,622**	20,030
Securities sold under repurchase agreements	**15,442**	14,615
Securities loaned	**29,614**	24,437
	64,678	59,082

NOTE 8 – OTHER ASSETS

	As at January 31, 2017	As at October 31, 2016
Receivables, prepaid expenses and other items	**776**	668
Interest and dividends receivable	**456**	474
Due from clients, dealers and brokers(1)	**959**	843
Defined benefit asset	**74**	48
Deferred tax assets	**358**	402
Current tax assets	**25**	80
Reinsurance assets	**32**	32
	2,680	2,547

(1) The *Due from clients, dealers and brokers* amount of $843 million presented separately on the Consolidated Balance Sheet as at October 31, 2016 is now reported in *Other assets*.

(unaudited) (millions of Canadian dollars)

NOTE 9 – DEPOSITS

	As at January 31, 2017			As at October 31, 2016 (1)
	On demand or after notice(2)	Fixed term(3)	Total	Total
Personal	29,148	24,519	53,667	52,521
Business and government	41,790	43,576	85,366	83,905
Deposit-taking institutions	1,910	3,786	5,696	5,640
	72,848	71,881	144,729	142,066

(1) Certain amounts have been revised from those previously reported, particularly an amount of $2,159 million classified in *Due to clients, dealers and brokers* on the Consolidated Balance Sheet as at October 31, 2016 that is now reported in *Deposits*.
(2) Demand deposits are deposits for which the Bank does not have the right to require notice of withdrawal and consist essentially of deposits in chequing accounts. Notice deposits are deposits for which the Bank may legally require notice of withdrawal and consist mainly of deposits in savings accounts.
(3) Fixed-term deposits are deposits that can be withdrawn by the holder on a specified date and include term deposits, guaranteed investment certificates, savings accounts and plans, covered bonds and similar instruments.

The *Deposits – Business and government* item includes, among other items, covered bonds, the balance of which was $6.5 billion as at January 31, 2017 ($6.7 billion as at October 31, 2016).

During the quarter ended January 31, 2017, the Bank issued covered bonds in an amount of 70 million pounds sterling (no issuance during the quarter ended January 31, 2016). See Note 20 for additional information on covered bonds.

NOTE 10 – OTHER LIABILITIES

	As at January 31, 2017	As at October 31, 2016
Accounts payable and accrued expenses	1,163	1,510
Subsidiaries' debts to third parties	1,093	1,447
Interest and dividends payable	770	832
Due to clients, dealers and brokers(1)	688	540
Defined benefit liability	190	314
Deferred tax liabilities	38	57
Current tax liabilities	73	215
Insurance liabilities	66	71
Other items(2)(3)	756	900
	4,837	5,886

(1) An amount of $540 million reported in the *Due to clients, dealers and brokers* item on the Consolidated Balance Sheet as at October 31, 2016 is now reported in *Other liabilities*.
(2) As at January 31, 2017, other items included a $106 million restructuring provision ($152 million as at October 31, 2016). See Note 11 for additional information.
(3) As at January 31, 2017, other items included a $22 million litigation provision ($18 million as at October 31, 2016).

NOTE 11 – RESTRUCTURING

During fiscal years 2016 and 2015, the Board approved certain restructuring initiatives to accelerate its transformation plan, satisfy the changing needs of its clients and enhance operational efficiency. This transformation will allow the Bank to maintain the pace of its client-centric shift, pursue the transition to digital banking, maintain a compelling workplace and focus on operational excellence.

The table below presents the changes in the restructuring allowance on the Consolidated Balance Sheet.

	Severance pay	Other	Total
As at October 31, 2015	51	16	67
Restructuring charge	129	2	131
Payments during the year	(34)	(12)	(46)
As at October 31, 2016	146	6	152
Payments during the period	(45)	(1)	(46)
As at January 31, 2017	**101**	**5**	**106**

(unaudited) (millions of Canadian dollars)

NOTE 12 – SHARE CAPITAL

Shares Outstanding

	As at January 31, 2017		As at October 31, 2016	
	Number of shares	**Shares $**	Number of shares	Shares $
First Preferred Shares				
Series 28	**8,000,000**	**200**	8,000,000	200
Series 30	**14,000,000**	**350**	14,000,000	350
Series 32	**12,000,000**	**300**	12,000,000	300
Series 34	**16,000,000**	**400**	16,000,000	400
Series 36	**16,000,000**	**400**	16,000,000	400
	66,000,000	**1,650**	66,000,000	1,650
Common shares at beginning of the fiscal year	**338,053,054**	**2,645**	337,236,322	2,614
Issued pursuant to the Stock Option Plan	**2,831,926**	**119**	1,122,756	43
Impact of shares purchased or sold for trading(1)	**32,900**	**3**	(306,024)	(12)
Other	**(108,341)**	**(4)**	–	–
Common shares at end of the period	**340,809,539**	**2,763**	338,053,054	2,645

(1) As at January 31, 2017, 70,763 shares were sold short for trading, representing a total amount of $5 million (37,863 shares representing $2 million as at October 31, 2016).

Dividends Declared

	Quarter ended January 31			
		2017		2016
	Dividends $	**Dividends per share**	Dividends $	Dividends per share
First Preferred Shares				
Series 28	**2**	**0.2375**	2	0.2375
Series 30	**3**	**0.2563**	3	0.2563
Series 32	**3**	**0.2438**	3	0.2438
Series 34	**6**	**0.3500**	–	–
Series 36	**5**	**0.3375**	–	–
	19		8	
Common shares	**191**	**0.5600**	182	0.5400
	210		190	

Common Shares Held in Escrow

As part of the acquisition of Wellington West Holdings Inc. in 2011, the Bank had issued common shares held in escrow. In December 2016, 799,563 of these shares were released to the shareholders. In addition, 108,341 shares were cancelled, mainly upon the settlement of certain indemnifications guaranteed by those shares. As at January 31, 2017, the number of common shares held in escrow was 28,881 (936,785 as at October 31, 2016). The Bank expects that the remaining shares in escrow will be settled by the end of calendar year 2017.

NOTE 13 – NON-CONTROLLING INTERESTS

	As at January 31, 2017	As at October 31, 2016
Trust units issued by NBC Asset Trust (NBC CapS II)		
Series 1(1)	**403**	410
Series 2(2)	**352**	359
Other	**44**	41
	799	810

(1) Includes $3 million in accrued interest ($10 million as at October 31, 2016).
(2) Includes $2 million in accrued interest ($9 million as at October 31, 2016).

(unaudited) (millions of Canadian dollars)

NOTE 14 – CAPITAL DISCLOSURE

OSFI is requiring Canadian banks to meet the 2019 minimum "all-in" requirements, regardless of the transition period set out by the Basel Committee on Banking Supervision (BCBS). Consequently, the Bank has to maintain a Common Equity Tier 1 (CET1) capital ratio of at least 8.0%, a Tier 1 capital ratio of at least 9.5%, and a Total capital ratio of at least 11.5%, all determined using the "all-in" methodology. All of these ratios are to include a capital conservation buffer of 2.5% and a 1% surcharge applicable to Domestic Systemically Important Banks.

Since January 1, 2015, OSFI has been requiring Canadian banks to meet a Basel III leverage ratio of at least 3.0%. The leverage ratio is a measure independent of risk that is calculated by dividing the amount of Tier 1 capital by total exposure. Total exposure is defined as the sum of on-balance-sheet assets (including derivative exposures and securities financing transaction exposures) and off-balance-sheet items. The assets deducted from Tier 1 capital are also deducted from total exposure.

During the quarter ended January 31, 2017, the Bank was in compliance with all of OSFI's regulatory capital requirements.

Regulatory Capital and Ratios Under Basel III(1)

	As at January 31, 2017	As at October 31, 2016
Capital		
CET1	**7,268**	6,865
Tier 1	**9,668**	9,265
Total	**10,913**	10,506
Risk-weighted assets		
CET1 capital	**68,574**	68,205
Tier 1 capital	**68,715**	68,430
Total capital	**68,828**	68,623
Total exposure	**256,330**	253,097
Capital ratios		
CET1	**10.6 %**	10.1 %
Tier 1	**14.1 %**	13.5 %
Total	**15.9 %**	15.3 %
Leverage ratio	**3.8 %**	3.7 %

(1) Figures are presented on an "all-in" basis.

NOTE 15 – TRADING ACTIVITY REVENUES

Trading activity revenues consist of the net interest income from trading activities and trading revenues recognized in *Non-interest income* in the Consolidated Statement of Income.

Net interest income comprises dividends related to financial assets and liabilities associated with trading activities, net of interest expenses and interest income related to the financing of these financial assets and liabilities.

Non-interest income consists of realized and unrealized gains and losses as well as interest income on securities measured at fair value through profit or loss, income from held-for-trading derivative financial instruments, and the change in fair value of financial instruments designated at fair value through profit or loss.

	Quarter ended January 31	
	2017	2016
Net interest income	**125**	125
Non-interest income	**94**	47
	219	172

(unaudited) (millions of Canadian dollars)

NOTE 16 – SHARE-BASED PAYMENTS

Stock Option Plan
During the quarter ended January 31, 2017, the Bank awarded 1,804,016 stock options (2,140,420 stock options during the quarter ended January 31, 2016) with an average fair value of $5.75 per option ($3.70 in 2016).

As at January 31, 2017, there were 16,101,236 stock options outstanding (17,302,322 stock options as at October 31, 2016).

The average fair value of the options awarded was estimated on the award date using the Black-Scholes model as well as the following assumptions.

	Quarter ended January 31	
	2017	2016
Risk-free interest rate	**1.59%**	1.43%
Expected life of options	**7 years**	7 years
Expected volatility	**20.53%**	21.12%
Expected dividend yield	**4.41%**	5.33%

Compensation expense is presented in the following table.

	Quarter ended January 31	
	2017	2016
Compensation expense recorded for stock options	**3**	3

NOTE 17 – EMPLOYEE BENEFITS – PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

The Bank offers defined benefit pension plans and other post-employment benefit plans to eligible employees. The cost associated with these plans, including the remeasurements recognized in *Other comprehensive income,* is presented in the following table.

Cost for Pension Plans and Other Post-Employment Benefit Plans

	Quarter ended January 31			
	Pension plans		Other post-employment benefit plans	
	2017	2016	**2017**	2016
Current service cost	**28**	19	**1**	1
Interest expense (income), net	**2**	(2)	**2**	2
Administrative expenses	**1**	1		
Expense recognized in *Net income*	**31**	18	**3**	3
Remeasurements(1)				
Actuarial (gains) losses on defined benefit obligation	**(247)**	132	**(12)**	6
Return on plan assets(2)	**97**	70		
Remeasurements recognized in *Other comprehensive income*	**(150)**	202	**(12)**	6
	(119)	220	**(9)**	9

(1) Changes related to the discount rate and to the return on plan assets are reviewed and updated on a quarterly basis. All other assumptions are updated annually.
(2) Excluding interest income.

NOTE 18 – EARNINGS PER SHARE

Diluted earnings per share is calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding after taking into account the dilution effect of stock options using the treasury stock method and any gain (loss) on redemption of preferred shares.

	Quarter ended January 31	
	2017	2016
Basic earnings per share		
Net income attributable to the Bank's shareholders	478	239
Dividends on preferred shares	19	8
Premium paid on preferred shares redeemed for cancellation	–	3
Net income attributable to common shareholders	459	228
Weighted average basic number of common shares outstanding *(thousands)*	339,476	337,074
Basic earnings per share *(dollars)*	1.35	0.68
Diluted earnings per share		
Net income attributable to common shareholders	459	228
Weighted average basic number of common shares outstanding *(thousands)*	339,476	337,074
Adjustment to average number of common shares *(thousands)*		
Stock options(1)	3,794	2,191
Weighted average diluted number of common shares outstanding *(thousands)*	343,270	339,265
Diluted earnings per share *(dollars)*	1.34	0.67

(1) For the quarter ended January 31, 2017, the calculation of diluted earnings per share excluded an average number of 993,801 options outstanding with a weighted average exercise price of $54.69 (7,083,545 options outstanding with a weighted average exercise price of $45.36 for the quarter ended January 31, 2016), as the exercise price of these options was greater than the average price of the Bank's common shares.

NOTE 19 – 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 quarter ended January 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.

(unaudited) (millions of Canadian dollars)

NOTE 20 – STRUCTURED ENTITIES

A structured entity is an entity created to accomplish a narrow and well-defined objective and is designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate solely to administrative tasks and the relevant activities are directed by means of contractual arrangements. Structured entities are assessed for consolidation in accordance with the accounting treatment described in Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2016. For a detailed description of the Bank's structured entities, see Note 28 to the audited annual consolidated financial statements for the year ended October 31, 2016. The Bank's maximum exposure to loss resulting from its interests in these structured entities consists primarily of the investments in these entities, the fair value of derivative financial instrument contracts entered into with them, and the backstop liquidity and credit enhancement facilities granted to certain structured entities.

In the normal course of business, the Bank may enter into financing transactions with third-party structured entities, including commercial loans, reverse repurchase agreements, prime brokerage margin lending, and similar collateralized lending transactions. While such transactions expose the Bank to the counterparty credit risk of the structured entities, this exposure is mitigated by the collateral related to these transactions. The Bank typically has neither power nor significant variable returns resulting from financing transactions with structured entities and does not consolidate such entities. Financing transactions with third-party-sponsored structured entities are included on the Bank's consolidated financial statements and are not included in the table accompanying this note.

The following table presents the carrying amounts of the assets and liabilities relating to the Bank's interests in non-consolidated structured entities, the Bank's maximum exposure to loss from these interests, as well as the total assets of these structured entities.

					As at January 31, 2017
	Multi-seller conduits(1)	Master asset vehicles(2)	Investment funds(3)	Private investments(4)	Asset-backed structured entity(5)
Assets on the Consolidated Balance Sheet					
Securities at fair value through profit or loss	2	–	29	–	–
Available-for-sale securities	–	–	56	98	–
Held-to-maturity securities	–	–	–	–	483
Derivative financial instruments	5	–	–	–	–
	7	–	85	98	483
As at October 31, 2016	10	619	86	97	503
Maximum exposure to loss					
Securities, derivative financial instruments and other assets	7	–	85	98	483
Liquidity and credit enhancement facilities	2,753	–	–	–	–
	2,760	–	85	98	483
As at October 31, 2016	2,883	1,419	86	97	503
Total assets of the structured entities	2,778	–	303	2,969	787
As at October 31, 2016	2,912	–	303	2,650	813

(1) The main underlying assets, located in Canada, are residential mortgages, automobile loans, automobile inventory financings, and other receivables. As at January 31, 2017, the notional committed amount of the global-style liquidity facilities totalled $2.8 billion ($2.9 billion as at October 31, 2016), representing the total amount of commercial paper outstanding. The Bank also provides series-wide credit enhancement facilities for a notional committed amount of $30 million ($30 million as at October 31, 2016). The maximum exposure to loss cannot exceed the amount of commercial paper outstanding. As at January 31, 2017, the Bank held $2 million in commercial paper ($4 million as at October 31, 2016) and, consequently, the maximum potential amount of future payments as at January 31, 2017 is limited to $2.8 billion ($2.9 billion as at October 31, 2016), which represents the undrawn liquidity and credit enhancement facilities.

(2) As at January 31, 2017, the carrying value of the restructured notes of the master asset vehicle (MAV) conduits and of the other restructured notes held by the Bank was nil ($619 million as at October 31, 2016). The change in the carrying value of the restructured notes of the MAV conduits during the quarter ended January 31, 2017 was mainly attributable to capital repayments. During the quarter ended January 31, 2017, given the repayment of the restructured notes, the Bank ceased its commitment to contribute to the margin funding facility of the MAV conduits. The undrawn margin funding facility amounted to $800 million as at October 31, 2016.

(3) The underlying assets are various financial instruments and are presented on a net asset basis. Certain investment funds are in a trading portfolio.

(4) The underlying assets are private investments. The amount of total assets of the structured entities corresponds to the amount for the most recent available period.

(5) The underlying assets are equipment loans and leases.

(unaudited) (millions of Canadian dollars)

The following table presents the Bank's investments and other assets in the consolidated structured entities as well as the total assets of these entities.

	As at January 31, 2017		As at October 31, 2016	
	Investments and other assets	**Total assets(1)**	Investments and other assets	Total assets(1)
Consolidated structured entities				
Securitization entity for the Bank's credit card receivables(2)(3)	**673**	**1,599**	343	1,882
Investment funds(4)	**130**	**171**	156	199
Covered bonds(5)	**13,237**	**13,495**	13,908	14,176
Building(6)	**67**	**60**	66	59
NBC Asset Trust(7)	**1,350**	**2,109**	1,350	2,121
Third-party structured entities(8)	**691**	**691**	867	867
	16,148	**18,125**	16,690	19,304

(1) There are restrictions that stem mainly from regulatory requirements, corporate or securities laws and contractual arrangements that limit the ability of certain consolidated structured entities to transfer funds to the Bank.
(2) The underlying assets are credit card receivables.
(3) The Bank's investment is presented net of third-party holdings.
(4) The underlying assets are various financial instruments and are presented on a net asset basis. Certain investment funds are in a trading portfolio.
(5) The underlying assets are uninsured residential mortgage loans of the Bank. The average maturity of these underlying assets is two years. As at January 31, 2017, the total amount of transferred mortgage loans was $13.2 billion ($13.9 billion as at October 31, 2016), and the total amount of covered bonds of $6.5 billion was recognized in *Deposits* on the Consolidated Balance Sheet ($6.7 billion as at October 31, 2016). For additional information, see Note 9.
(6) The underlying asset is a building located in Canada.
(7) The underlying assets are insured and uninsured residential mortgage loans of the Bank. As at January 31, 2017, insured loans amounted to $129 million ($148 million as at October 31, 2016). The average maturity of the underlying assets is two years. For additional information, see Note 13.
(8) The underlying assets consist of equipment leased under operating leases.

(unaudited) (millions of Canadian dollars)

NOTE 21 – SEGMENT DISCLOSURES

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.

Quarter ended January 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)	**510**	485	**104**	89	**232**	228	**42**	7	**(90)**	(93)	**798**	716
Non-interest income(2)	**245**	239	**293**	267	**187**	(44)	**76**	101	**34**	10	**835**	573
Total revenues	**755**	724	**397**	356	**419**	184	**118**	108	**(56)**	(83)	**1,633**	1,289
Non-interest expenses	**412**	416	**259**	251	**170**	144	**56**	48	**72**	44	**969**	903
Contribution	**343**	308	**138**	105	**249**	40	**62**	60	**(128)**	(127)	**664**	386
Provisions for credit losses	**52**	62	**1**	1	**–**	–	**7**	–	**–**	–	**60**	63
Income before income taxes (recovery)	**291**	246	**137**	104	**249**	40	**55**	60	**(128)**	(127)	**604**	323
Income taxes (recovery)(2)	**78**	66	**36**	27	**66**	36	**17**	20	**(90)**	(87)	**107**	62
Net income	**213**	180	**101**	77	**183**	4	**38**	40	**(38)**	(40)	**497**	261
Non-controlling interests	**–**	–	**–**	–	**–**	–	**6**	8	**13**	14	**19**	22
Net income attributable to the Bank's shareholders	**213**	180	**101**	77	**183**	4	**32**	32	**(51)**	(54)	**478**	239
Average assets	**94,840**	91,147	**11,271**	10,944	**96,803**	85,596	**6,655**	4,360	**36,491**	40,166	**246,060**	232,213

(1) For the quarter ended January 31, 2016, certain amounts have been revised from those previously reported, particularly in the Personal and Commercial segment, where an amount of $10 million reported in *Non-interest income* was reclassified to *Net interest income*.

(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 $68 million ($55 million in 2016), *Non-interest income* was grossed up by $4 million (nil in 2016) and an equivalent amount was recognized in *Income taxes (recovery)*. The effect of these adjustments is reversed under the *Other* heading.

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 Ltd.; the activities of subsidiary Advanced Bank of Asia Limited (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.

NOTE 22 – EVENT AFTER THE CONSOLIDATED BALANCE SHEET DATE

Redemption of Subordinated Debt

On February 15, 2017, the Bank announced its intention to redeem, on April 11, 2017, the $1.0 billion in notes maturing on April 11, 2022.

INFORMATION FOR SHAREHOLDERS AND INVESTORS

Investor Relations
Financial analysts and investors who want to obtain financial information on the Bank may contact the Investor Relations Department.

600 De La Gauchetière Street West, 7th Floor
Montreal, Quebec H3B 4L2
Toll-free: 1-866-517-5455
Fax: 514-394-6196
Email: *investorrelations@nbc.ca*
Website: nbc.ca/investorrelations

Public Affairs
600 De La Gauchetière Street West, 10th Floor
Montreal, Quebec H3B 4L2
Telephone: 514-394-8644
Fax: 514-394-6258

Quarterly Report Publication Dates for Fiscal 2017
(subject to approval by the Board of Directors of the Bank)

First quarter	March 1
Second quarter	May 31
Third quarter	August 30
Fourth quarter	December 1

Disclosure of First Quarter 2017 Results

Conference Call
- A conference call for analysts and institutional investors will be held on Wednesday, March 1, 2017 at 1:00 p.m. EST.
- Access by telephone in listen-only mode: 1-866-862-3930 or 416-695-7806. The access code is 6710780#.
- A recording of the conference call can be heard until March 30, 2017 by dialing 1-800-408-3053 or 905-694-9451. The access code is 4525841#.

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 *Report to Shareholders* (which includes the quarterly consolidated financial statements) is available at all times on National Bank's website at nbc.ca/investorrelations.
- The *Report to Shareholders*, 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.

Transfer Agent and Registrar
For information about stock transfers, address changes, dividends, lost certificates, tax forms, and estate transfers, shareholders are asked to contact the transfer agent, Computershare Trust Company of Canada, at the address or telephone number below.

Computershare Trust Company of Canada
Share Ownership Management
1500 Robert-Bourassa Boulevard, 7th Floor
Montreal, Quebec H3A 3S8
Telephone: 1-888-838-1407
Fax: 1-888-453-0330
Email: *service@computershare.com*
Website: computershare.com

Direct Deposit Service for Dividends
Shareholders may elect to have their dividend payments deposited directly via electronic funds transfer to their bank account at any financial institution that is a member of the Canadian Payments Association. To do so, they must send a written request to the transfer agent, Computershare Trust Company of Canada.

Dividend Reinvestment and Share Purchase Plan
The Bank has a Dividend Reinvestment and Share Purchase Plan for Canadian holders of its common and preferred shares under which they can acquire common shares of the Bank without paying commissions or administration fees. Canadian participants acquire common shares through the reinvestment of cash dividends paid on the shares they hold or through optional cash payments of at least $500 per payment, up to a maximum of $5,000 per quarter.

For more information, shareholders may contact National Bank's registrar and transfer agent, Computershare Trust Company of Canada, at 1-888-838-1407. To participate in the plan, National Bank's beneficial or non-registered common shareholders must contact their financial institution or broker.

Dividends
The dividends declared by the Bank constitute eligible dividends pursuant to the *Income Tax Act* (Canada).

NATIONAL BANK