NATIONAL BANK

REPORT TO SHAREHOLDERS — THIRD QUARTER 2016

National Bank reports record results for the Third Quarter of 2016

The financial information reported herein is based on the unaudited interim condensed consolidated financial statements for the quarter and nine-month period ended July 31, 2016 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, August 31, 2016 – National Bank is reporting net income of $478 million for the third quarter of 2016, up 6% from $453 million in the same quarter of 2015. Diluted earnings per share stood at $1.31 in the third quarter of 2016 compared to $1.28 in the third quarter of 2015.

Excluding specified items, net income was a record $486 million in the third quarter of 2016, up 9% from $444 million in the third quarter of 2015, and third-quarter diluted earnings per share stood at $1.33, up 6% from $1.25 in the same quarter of 2015. The specified items are described on page 4.

For the first nine months of 2016, the Bank's net income totalled $949 million compared to $1,272 million in the same nine-month period of 2015, and its nine-month diluted earnings per share stood at $2.51 versus $3.56 in the same period of 2015, essentially as a result of a $183 million, net of income taxes, sectoral provision for credit losses recorded for oil and gas producers and service companies in the second quarter of 2016. Excluding the sectoral provision and specified items, the Bank's net income for the nine months ended July 31, 2016 totalled $1,333 million, up 5% from $1,265 million in the same period of 2015, and its nine-month diluted earnings per share stood at $3.65, a 3% increase from $3.54 in the first nine months of 2015.

"National Bank's 2016 third-quarter net income showed good growth, mainly in the Wealth Management and Personal and Commercial segments, the latter benefiting from the good credit quality of its loan portfolio," said Louis Vachon, President and Chief Executive Officer of National Bank. "Furthermore, at 9.9% as at July 31, 2016, the Common Equity Tier 1 capital ratio rose towards the Bank's target."

Highlights

(millions of Canadian dollars)	Quarter ended July 31			Nine months ended July 31		
	2016	2015	% Change	**2016**	2015	% Change
Net income	**478**	453	6	**949**	1,272	(25)
Diluted earnings per share *(dollars)*	**$ 1.31**	$ 1.28	2	**$ 2.51**	$ 3.56	(29)
Return on common shareholders' equity	**18.7 %**	18.8 %		**12.0 %**	18.1 %	
Dividend payout ratio	**62 %**	44 %		**62 %**	44 %	
Excluding specified items[1]						
Net income	**486**	444	9	**1,150**	1,265	(9)
Diluted earnings per share *(dollars)*	**$ 1.33**	$ 1.25	6	**$ 3.11**	$ 3.54	(12)
Net income excluding sectoral provision[2]				**1,333**	1,265	5
Diluted earnings per share excluding sectoral provision[2] *(dollars)*				**$ 3.65**	$ 3.54	3
Return on common shareholders' equity	**19.0 %**	18.4 %		**14.9 %**	17.9 %	
Dividend payout ratio	**50 %**	42 %		**50 %**	42 %	

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

(1) See the Financial Reporting Method section on page 4.
(2) During the nine months ended July 31, 2016, a $250 million ($183 million net of income taxes) sectoral provision for credit losses was recorded for producers and service companies in the oil and gas sector.

Personal and Commercial

- Net income was a record $203 million in the third quarter of 2016 versus $193 million in the third quarter of 2015.
- At $739 million, the segment's 2016 third-quarter total revenues rose $8 million or 1% year over year.
- Rising 5% from a year ago, personal lending experienced sustained growth, with the most significant increases coming from mortgage lending, and commercial lending grew 3% from a year ago.
- The net interest margin was 2.25% in the third quarter of 2016 versus 2.24% in the third quarter of 2015 and 2.20% in the second quarter of 2016.
- At 56.4%, the third-quarter efficiency ratio was unchanged from the same quarter of 2015.

Wealth Management

- Net income totalled $80 million in the third quarter of 2016, a 5% increase from $76 million in the third quarter of 2015.
- Excluding specified items(1), the 2016 third-quarter net income totalled $86 million, up $4 million or 5% year over year.
- Excluding specified items(1), third-quarter total revenues amounted to $362 million compared to $347 million in the third quarter of 2015, a $15 million or 4% increase owing mainly to growth in net interest income.
- Excluding specified items(1), third-quarter non-interest expenses stood at $245 million versus $236 million in the third quarter of 2015.
- Excluding specified items(1), the efficiency ratio was 67.7%, an improvement from 68.0% in the third quarter of 2015.

Financial Markets

- Net income totalled $174 million in the third quarter of 2016, a 13% decrease from $201 million in the same quarter of 2015.
- At $440 million, third-quarter total revenues were down $30 million year over year, essentially due to decreases in trading activity revenues and revenues from the segment's other activities.
- At $198 million, the 2016 third-quarter non-interest expenses increased $4 million year over year.
- The efficiency ratio was 45.0% compared to 41.3% in the third quarter of 2015.

Other

- The acquisition of Advanced Bank of Asia Limited (ABA) was completed on May 16, 2016.
- The *Other* heading posted net income of $21 million in the third quarter of 2016 versus a $17 million net loss in the same quarter of 2015. This change came mainly from a $41 million gain on a revaluation of the previously held equity interest in ABA and from a higher contribution from treasury activities that more than offset the revenues related to the restructured notes that had been recorded during the third quarter of 2015.

Capital Management

- As at July 31, 2016, the Common Equity Tier 1 (CET1) capital ratio under Basel III was 9.9%, unchanged from October 31, 2015.
- As at July 31, 2016, the Basel III leverage ratio was 3.7%, unchanged from October 31, 2015.

(1) See the Financial Reporting Method section on page 4.

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 30, 2016

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 and nine-month period ended July 31, 2016 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 and nine-month period ended July 31, 2016 and with the *2015 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 *2015 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 2016 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 2016 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 55 of the *2015 Annual Report*), the 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 *2015 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 ordinary operations. Securities regulators require companies to caution readers that net income and other measures adjusted using non-IFRS criteria are not standard under IFRS and cannot be easily compared with similar measures used by other companies.

Financial Information

(millions of Canadian dollars, except per share amounts)	Quarter ended July 31			Nine months ended July 31		
	2016	2015	% Change	**2016**	2015	% Change
Net income excluding specified items						
Personal and Commercial	**203**	193	5	**378**	528	(28)
Wealth Management	**86**	82	5	**256**	247	4
Financial Markets	**174**	201	(13)	**529**	552	(4)
Other	**23**	(32)		**(13)**	(62)	
Net income excluding specified items	**486**	444	9	**1,150**	1,265	(9)
Items related to holding restructured notes(1)	**(1)**	16		**(5)**	52	
Acquisition-related items(2)	**(7)**	(7)		**(33)**	(21)	
Write-off of an equity interest in an associate(3)	**–**	–		**(145)**	–	
Impact of changes to tax measures(4)	**–**	–		**(18)**	–	
Gain on disposal of Fiera Capital shares(5)	**–**	–		**–**	25	
Share of current tax asset write-down of an associate(6)	**–**	–		**–**	(16)	
Impairment losses on intangible assets(7)	**–**	–		**–**	(33)	
Net income	**478**	453	6	**949**	1,272	(25)
Diluted earnings per share excluding specified items	**$ 1.33**	$ 1.25	6	**$ 3.11**	$ 3.54	(12)
Items related to holding restructured notes(1)	**–**	0.05		**(0.01)**	0.16	
Acquisition-related items(2)	**(0.02)**	(0.02)		**(0.10)**	(0.07)	
Write-off of an equity interest in an associate(3)	**–**	–		**(0.43)**	–	
Impact of changes to tax measures(4)	**–**	–		**(0.05)**	–	
Premium paid on preferred shares redeemed for cancellation(8)	**–**	–		**(0.01)**	–	
Gain on disposal of Fiera Capital shares(5)	**–**	–		**–**	0.08	
Share of current tax asset write-down of an associate(6)	**–**	–		**–**	(0.05)	
Impairment losses on intangible assets(7)	**–**	–		**–**	(0.10)	
Diluted earnings per share	**$ 1.31**	$ 1.28	2	**$ 2.51**	$ 3.56	(29)
Return on common shareholders' equity						
Including specified items	**18.7 %**	18.8 %		**12.0 %**	18.1 %	
Excluding specified items	**19.0 %**	18.4 %		**14.9 %**	17.9 %	

(1) During the quarter ended July 31, 2016, the Bank recorded $2 million in financing costs ($1 million net of income taxes) related to holding restructured notes (2015: $5 million, $3 million net of income taxes). In addition, during the quarter ended July 31, 2015, it had recorded $26 million in revenues ($19 million net of income taxes) to reflect capital repayments and a rise in the fair value of these notes. During the nine months ended July 31, 2016, the Bank recorded $7 million in financing costs ($5 million net of income taxes) related to holding restructured notes (2015: $14 million, $11 million net of income taxes). In the same nine-month period of 2015, the Bank had recorded $49 million in revenues ($36 million net of income taxes) to reflect capital repayments and a rise in the fair value of these notes as well as a gain of $37 million ($27 million net of income taxes) upon the disposal of the restructured notes of the MAV III conduits.

(2) During the quarter ended July 31, 2016, the Bank recorded $8 million ($7 million net of income taxes) in acquisition-related charges (2015: $9 million, $7 million net of income taxes). For the nine months ended July 31, 2016, these charges stood at $42 million ($33 million net of income taxes) and, for the same period in 2015, they were $27 million ($21 million net of income taxes). These charges consisted mostly of retention bonuses and also included the Bank's share in the integration costs incurred by Fiera Capital Corporation (Fiera Capital) as well as the Bank's share in the charges related to its equity interest in TMX Group Limited (TMX), particularly goodwill and intangible asset impairment losses of $18 million ($13 million net of income taxes) recorded in the first quarter of 2016.

(3) During the nine months ended July 31, 2016, the Bank wrote off its equity interest in associate Maple Financial Group Inc. (Maple) in an amount of $164 million ($145 million net of income taxes) following the February 6, 2016 event described in the Consolidated Balance Sheet section on page 14.

(4) During the nine months ended July 31, 2016, an $18 million tax provision was recorded to reflect the impact of substantively enacted changes to tax measures.

(5) During the nine months ended July 31, 2015, a gain of $29 million ($25 million net of income taxes), net of underwriting fees, had been recorded upon a disposal of Fiera Capital shares through one of the Bank's subsidiaries.

(6) During the nine months ended July 31, 2015, a loss of $18 million ($16 million net of income taxes) had been recorded following a write-down of an associate's current tax assets.

(7) During the nine months ended July 31, 2015, the Bank had recorded $46 million ($33 million net of income taxes) in intangible asset impairment losses on technology developments.

(8) During the nine months ended July 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 July 31			Nine months ended July 31		
	2016	2015	% Change	**2016**	2015	% Change
Operating results						
Total revenues	**1,557**	1,510	3	**4,271**	4,341	(2)
Net income	**478**	453	6	**949**	1,272	(25)
Net income attributable to the Bank's shareholders	**460**	436	6	**892**	1,221	(27)
Return on common shareholders' equity	**18.7 %**	18.8 %		**12.0 %**	18.1 %	
Earnings per share						
Basic	**$ 1.32**	$ 1.29	2	**$ 2.52**	$ 3.61	(30)
Diluted	**1.31**	1.28	2	**2.51**	3.56	(29)
Excluding specified items[1]						
Operating results						
(taxable equivalent basis)[2]						
Total revenues	**1,610**	1,553	4	**4,647**	4,509	3
Net income	**486**	444	9	**1,150**	1,265	(9)
Net income attributable to the Bank's shareholders	**468**	427	10	**1,093**	1,214	(10)
Return on common shareholders' equity	**19.0 %**	18.4 %		**14.9 %**	17.9 %	
Efficiency ratio	**57.9 %**	58.0 %		**58.1 %**	58.5 %	
Earnings per share						
Basic	**$ 1.35**	$ 1.27	6	**$ 3.13**	$ 3.58	(13)
Diluted	**1.33**	1.25	6	**3.11**	3.54	(12)
Common share information						
Dividends declared	**$ 0.55**	$ 0.52		**$ 1.63**	$ 1.52	
Book value				**28.39**	27.60	
Share price						
High	**46.65**	50.01		**46.65**	55.06	
Low	**40.98**	43.78		**35.83**	43.78	
Close	**44.71**	45.74		**44.71**	45.74	
Number of common shares *(thousands)*	**336,826**	330,001		**336,826**	330,001	
Market capitalization	**15,059**	15,094		**15,059**	15,094	

(millions of Canadian dollars)	**As at July 31, 2016**	As at October 31, 2015	% Change
Balance sheet and off-balance-sheet			
Total assets	**229,896**	216,090	6
Loans and acceptances	**124,789**	115,238	8
Impaired loans, net of total allowances	**(328)**	(112)	
As a % of average loans and acceptances	**(0.3) %**	(0.1) %	
Deposits	**138,875**	128,830	8
Equity attributable to common shareholders	**9,563**	9,531	–
Assets under administration and under management	**387,743**	358,139	8
Earnings coverage	**8.06**	10.49	
Asset coverage	**10.01**	6.78	
Regulatory ratios under Basel III			
Capital ratios[3]			
Common Equity Tier 1 (CET1)	**9.9 %**	9.9 %	
Tier 1[4]	**13.3 %**	12.5 %	
Total[4][5]	**15.1 %**	14.0 %	
Leverage ratio[3]	**3.7 %**	3.7 %	
Liquidity coverage ratio (LCR)	**137 %**	131 %	
Other information			
Number of employees[6]	**21,731**	20,189	8
Number of branches in Canada	**453**	452	–
Number of banking machines	**937**	930	1

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

FINANCIAL ANALYSIS

Consolidated Results

On November 1, 2015, the Bank reclassified certain amounts in the Consolidated Statement of Income to better reflect the nature of reported revenues in the Personal and Commercial segment. Accordingly, for the quarter ended July 31, 2015, an amount of $11 million presented in the *Non-interest income – Credit fees* item was reclassified to *Net interest income* ($30 million for the nine-month period ended July 31, 2015). This reclassification had no impact on *Net income*.

(millions of Canadian dollars)	Quarter ended July 31			Nine months ended July 31		
	2016	2015	% Change	**2016**	2015	% Change
Operating results						
Net interest income	**772**	672	15	**2,187**	1,987	10
Non-interest income	**785**	838	(6)	**2,084**	2,354	(11)
Total revenues	**1,557**	1,510	3	**4,271**	4,341	(2)
Non-interest expenses	**937**	906	3	**2,716**	2,705	–
Contribution	**620**	604	3	**1,555**	1,636	(5)
Provisions for credit losses	**45**	56	(20)	**425**	167	
Income before income taxes	**575**	548	5	**1,130**	1,469	(23)
Income taxes	**97**	95	2	**181**	197	(8)
Net income	**478**	453	6	**949**	1,272	(25)
Diluted earnings per share *(dollars)*	**1.31**	1.28	2	**2.51**	3.56	(29)
Taxable equivalent(1)						
Net interest income	**48**	61		**178**	247	
Non-interest income	**–**	–		**2**	–	
Income taxes	**48**	61		**180**	247	
Net income	**–**	–		**–**	–	
Specified items(2)						
Items related to holding restructured notes	**(2)**	21		**(7)**	72	
Acquisition-related items	**(8)**	(9)		**(42)**	(27)	
Write-off of an equity interest in an associate	**–**	–		**(164)**	–	
Gain on disposal of Fiera Capital shares	**–**	–		**–**	29	
Share of current tax asset write-down of an associate	**–**	–		**–**	(18)	
Impairment losses on intangible assets	**–**	–		**–**	(46)	
Specified items before income taxes	**(10)**	12		**(213)**	10	
Income taxes on specified items(3)	**(2)**	3		**(12)**	3	
Specified items after income taxes(4)	**(8)**	9		**(201)**	7	
Operating results on a taxable equivalent basis excluding specified items(1)(2)						
Net interest income	**822**	738	11	**2,372**	2,248	6
Non-interest income	**788**	815	(3)	**2,275**	2,261	1
Total revenues	**1,610**	1,553	4	**4,647**	4,509	3
Non-interest expenses	**932**	900	4	**2,699**	2,636	2
Contribution	**678**	653	4	**1,948**	1,873	4
Provisions for credit losses	**45**	56	(20)	**425**	167	
Income before income taxes	**633**	597	6	**1,523**	1,706	(11)
Income taxes	**147**	153	(4)	**373**	441	(15)
Net income	**486**	444	9	**1,150**	1,265	(9)
Diluted earnings per share *(dollars)*(4)	**1.33**	1.25	6	**3.11**	3.54	(12)
Net income excluding sectoral provision(5)				**1,333**	1,265	5
Diluted earnings per share excluding sectoral provision(5) *(dollars)*				**3.65**	3.54	3
Average assets	**237,447**	221,644	7	**233,439**	221,014	6
Average loans and acceptances	**122,267**	110,062	11	**119,673**	107,160	12
Impaired loans, net of total allowances	**(328)**	(112)		**(328)**	(112)	
Average deposits	**140,253**	128,387	9	**139,293**	126,082	10
Efficiency ratio excluding specified items(2)	**57.9 %**	58.0 %		**58.1 %**	58.5 %	

(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.
(3) For the nine months ended July 31, 2016, the income taxes on specified items included an $18 million tax provision recorded to reflect the impact of substantively enacted changes to tax measures.
(4) For the nine months ended July 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.
(5) During the nine months ended July 31, 2016, a $250 million sectoral provision for credit losses ($183 million net of income taxes) was recorded for producers and service companies in the oil and gas sector.

Financial Results

The Bank is reporting net income of $478 million for the third quarter of 2016, up 6% from $453 million in the third quarter of 2015. Third-quarter diluted earnings per share stood at $1.31 versus $1.28 in the third quarter of 2015.

Excluding specified items, net income was a record $486 million in the third quarter of 2016, up 9% from $444 million in the third quarter of 2015, and third-quarter diluted earnings per share stood at $1.33, up 6% from $1.25 in the same quarter of 2015. For the third quarter of 2016, the specified items, net of income taxes, consisted of $1 million in financing costs (2015: $3 million) related to holding restructured notes and $7 million in acquisition-related items (2015: $7 million). For the third quarter of 2015, the specified items, net of income taxes, had also consisted of $19 million in revenues to reflect capital repayments and a rise in the fair value of restructured notes.

For the nine months ended July 31, 2016, the Bank's net income totalled $949 million compared to $1,272 million in the same nine-month period of 2015, and its nine-month diluted earnings per share stood at $2.51 versus $3.56 in the same period of 2015. These decreases were essentially due to two items, net of income taxes, recorded during the nine months ended July 31, 2016: a $183 million sectoral provision for credit losses recorded for oil and gas producers and service companies and a $145 million write-off of the Bank's equity interest in associate Maple. Excluding the sectoral provision and specified items, the Bank's net income for the nine months ended July 31, 2016 totalled $1,333 million, up 5% from $1,265 million in the same period of 2015, and its nine-month diluted earnings per share stood at $3.65, up 3% from $3.54 in the first nine months of 2015. The specified items for the nine months ended July 31, 2016, net of income taxes, consisted of the following items: $5 million in financing costs (2015: $11 million) related to holding restructured notes; $33 million in charges (2015: $21 million) related to the Wealth Management acquisitions, including an amount of $13 million representing the Bank's share in the goodwill and intangible asset impairment losses arising from its equity interest in TMX; the $145 million write-off of the Bank's equity interest in associate Maple; and an $18 million tax provision recorded to reflect the impact of changes to tax measures. For the same nine-month period in 2015, the specified items, net of income taxes, had also consisted of the following: a $27 million gain on the disposal of restructured notes of the MAV III conduits; $36 million in revenues to reflect capital repayments and a rise in the fair value of restructured notes; a $25 million gain, net of underwriting fees, on the disposal of Fiera Capital shares; a $16 million loss on a current tax asset write-down of an associate; and $33 million in intangible asset impairment losses.

Excluding specified items, return on common shareholders' equity was 14.9% for the nine months ended July 31, 2016 compared to 17.9% in the same period of 2015; this change was essentially due to the sectoral provision recorded in the second quarter of 2016.

Total Revenues

For the third quarter of 2016, the Bank's total revenues amounted to $1,557 million, up $47 million from the third quarter of 2015. Excluding the specified items related to holding restructured notes and to the Wealth Management segment's acquisitions, total revenues on a taxable equivalent basis amounted to $1,610 million, up 4% from $1,553 million in the third quarter of 2015. Third-quarter net interest income was up year over year, mainly due to increases in personal and commercial loans and deposits, to net interest income growth in the Wealth Management segment that was partly driven by the CashPerformer account, to net interest income growth at Credigy Ltd. and to the revenues generated by subsidiary Advanced Bank of Asia Limited (ABA). As for third-quarter non-interest income, it was down year over year due to decreases in trading revenues, gains on available-for-sale securities, securities brokerage commissions, foreign exchange revenues, the share in the net income of associates and joint ventures as well as to the portion of Credigy Ltd. revenues recorded in non-interest income. These decreases were partly offset by a $41 million gain realized on a revaluation of the previously held equity interest in ABA as well as by higher mutual fund revenues.

For the nine months ended July 31, 2016, total revenues amounted to $4,271 million, down 2% from $4,341 million in the same period of 2015. Excluding the specified items related to holding restructured notes, to the Wealth Management acquisitions in the first nine-month periods of 2016 and 2015, to the Bank's share in the goodwill and intangible asset impairment losses resulting from its equity interest in TMX, to the write-off of its equity interest in Maple during the first quarter of 2016, to the gain on the disposal of Fiera Capital shares, and to the loss resulting from the share in the current tax asset write-down of an associate recorded in the first nine months of 2015, total revenues on a taxable equivalent basis amounted to $4,647 million for the nine months ended July 31, 2016, up 3% from $4,509 million in the same period of 2015. The increase was driven, in part, by 6% growth in net interest income attributable to the same reasons provided for the quarter. Nine-month non-interest income rose $14 million, mainly due to the gain realized on the revaluation of the previously held equity interest in ABA, to revenue growth at the Credigy Ltd. subsidiary as well as to increases in mutual fund revenues, trust service revenues, credit fee revenues, revenues from deposit and payment service charges, gains on available-for-sale securities, and insurance revenues. These increases were tempered by a year-over-year decrease in trading revenues.

Provisions for Credit Losses

For the third quarter of 2016, the Bank recorded $45 million in provisions for credit losses, $11 million less than in the same quarter of 2015, mainly because of lower provisions for credit losses on Personal Banking and Commercial Banking loans.

For the nine months ended July 31, 2016, the Bank recorded $425 million in provisions for credit losses, $258 million more than in the same period of 2015. This increase was attributable to the sectoral provision for credit losses recorded for producers and service companies in the oil and gas sector in the second quarter of 2016.

As at July 31, 2016, gross impaired loans stood at $452 million, declining $5 million since October 31, 2015. This decrease came from both the commercial and personal loan portfolios. Impaired loans represented 5.8% of the tangible capital adjusted for allowances as at July 31, 2016, down 0.1 percentage points from 5.9% as at October 31, 2015. As at July 31, 2016, the total allowances for credit losses exceeded gross impaired loans by $328 million versus $112 million as at October 31, 2015.

Non-Interest Expenses

For the third quarter of 2016, non-interest expenses stood at $937 million, a $31 million or 3% year-over-year increase attributable to technology investments, professional fees and expenses related to the activities of the new ABA subsidiary. Excluding specified items, the 2016 third-quarter non-interest expenses stood at $932 million compared to $900 million in the same quarter of 2015.

For the nine months ended July 31, 2016, non-interest expenses stood at $2,716 million compared to $2,705 million, up $11 million from the same period in 2015. The increase was attributable to professional fees, specifically the management fees associated with business growth by the Credigy Ltd. subsidiary, business development expenses, expenses related to the activities of the new ABA subsidiary, the compensatory tax on salaries and other expenses, particularly because sales tax recoveries had been recorded in the first quarter of 2015. In addition, there were decreases in the compensation and employee benefits expense and in technology expenses. Excluding the specified items recorded during the nine months ended July 31, 2016 and 2015, non-interest expenses were up $63 million or 2%.

Income Taxes

For the third quarter of 2016, income taxes stood at $97 million compared to $95 million in the same quarter of 2015. The 2016 third-quarter effective tax rate was 17%, unchanged from the same quarter in 2015.

For the nine months ended July 31, 2016, the effective tax rate was 16% versus 13% in the same nine-month period of 2015. The change in the effective tax rate came mainly from a tax provision recorded during the second quarter of 2016 to reflect the impact of substantively enacted changes to tax measures, from a year-over-year decrease in tax-exempt dividend income, and from the gain on the disposal of Fiera Capital shares recorded in 2015.

Results by Segment

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

Personal and Commercial

(millions of Canadian dollars)	Quarter ended July 31			Nine months ended July 31		
	2016	2015	% Change	**2016**	2015	% Change
Operating results						
Net interest income	**486**	462	5	**1,426**	1,352	5
Non-interest income	**253**	269	(6)	**735**	754	(3)
Total revenues	**739**	731	1	**2,161**	2,106	3
Non-interest expenses	**417**	412	1	**1,222**	1,219	–
Contribution	**322**	319	1	**939**	887	6
Provisions for credit losses(1)	**44**	55	(20)	**421**	165	
Income before income taxes	**278**	264	5	**518**	722	(28)
Income taxes	**75**	71	6	**140**	194	(28)
Net income	**203**	193	5	**378**	528	(48)
Net income excluding sectoral provision(1)				**561**	528	6
Net interest margin(2)	**2.25 %**	2.24 %		**2.22 %**	2.24 %	
Average interest-bearing assets	**86,103**	81,838	5	**85,701**	80,642	6
Average assets	**91,100**	87,479	4	**90,877**	86,181	5
Average loans and acceptances	**90,766**	87,086	4	**90,526**	85,794	6
Net impaired loans	**245**	249	(2)	**245**	249	(2)
Net impaired loans as a % of average loans and acceptances	**0.3 %**	0.3 %		**0.3 %**	0.3 %	
Average deposits	**49,317**	45,059	9	**47,723**	44,205	8
Efficiency ratio	**56.4 %**	56.4 %		**56.5 %**	57.9 %	

(1) For the nine-month period ended July 31, 2016, the provisions for credit losses included a $250 million sectoral provision ($183 million net of income taxes) on non-impaired loans recorded for the oil and gas producer and service company loan portfolio.
(2) Net interest margin is calculated by dividing net interest income by average interest-bearing assets.

The Personal and Commercial segment posted record net income of $203 million in the third quarter of 2016 compared to net income of $193 million in the third quarter of 2015. The segment's third-quarter total revenues increased by $8 million year over year owing to higher net interest income, which rose $24 million, partly offset by a $16 million year-over-year decrease in non-interest income in the third quarter of 2016. The higher net interest income came mainly from growth in personal and commercial loans and deposits. The net interest margin stood at 2.25% in the third quarter of 2016 versus 2.24% in the third quarter of 2015.

Personal Banking's third-quarter total revenues remained stable compared to the same quarter of 2015. Growth in loan volume, particularly mortgage loans, and in credit card transactions was offset by decreases in credit fee revenues, credit card revenues and insurance revenues. Commercial Banking's total revenues rose $8 million, mainly due to growth in loan and deposit volumes, tempered by a decrease in credit fee revenues on bankers' acceptances and foreign exchange revenues.

The segment's 2016 third-quarter non-interest expenses increased $5 million or 1% year over year, mainly due to professional fees and credit-card-related expenses, partly offset by a lower compensation and employee benefits expense. At 56.4%, the efficiency ratio for the third quarter of 2016 was unchanged from the same quarter of 2015.

The segment's third-quarter provisions for credit losses were $44 million, $11 million less than in the same quarter of 2015. This decrease stems from lower provisions for credit losses on both Personal Banking and Commercial Banking loans.

For the nine months ended July 31, 2016, the Personal and Commercial segment posted net income of $378 million, down from $528 million in the same nine-month period of 2015. This change was mainly due to the $183 million, net of income taxes, sectoral provision on non-impaired loans recorded for the oil and gas producer and service company loan portfolio during the second quarter of 2016. Excluding this sectoral provision, net income for the nine months ended July 31, 2016 totalled $561 million, up 6% from the same period of 2015. The segment's total revenues grew 3%. Personal Banking's nine-month net interest income grew year over year for the same reasons provided above for the quarter. In addition, credit card revenues were down, whereas revenues from deposit and payment service charges were up. Commercial Banking's nine-month total revenues also increased, partly due to growth in loan and deposit volumes, tempered by lower deposit margins and by decreases in credit fee revenues and foreign exchange revenues. The segment's nine-month contribution rose by $52 million or 6%, and its nine-month provisions for credit losses were $256 million higher than in the same period of 2015. Most of this increase came from the $250 million sectoral provision recorded during the second quarter of 2016 and from higher provisions for credit losses on Commercial Banking loans, partly offset by lower provisions for credit losses on Personal Banking loans. At 56.5% for the nine months ended July 31, 2016, the efficiency ratio improved by 1.4 percentage points versus the same nine-month period of 2015.

Wealth Management

(millions of Canadian dollars)	Quarter ended July 31			Nine months ended July 31		
	2016	2015	% Change	**2016**	2015	% Change
Operating results excluding specified items(1)						
Net interest income	**94**	78	21	**274**	242	13
Fee-based revenues	**202**	196	3	**590**	566	4
Transaction-based and other revenues	**66**	73	(10)	**211**	244	(14)
Total revenues	**362**	347	4	**1,075**	1,052	2
Non-interest expenses	**245**	236	4	**726**	717	1
Contribution	**117**	111	5	**349**	335	4
Provisions for credit losses	**1**	1		**4**	2	
Income before income taxes	**116**	110	5	**345**	333	4
Income taxes	**30**	28	7	**89**	86	3
Net income excluding specified items	**86**	82	5	**256**	247	4
Specified items after income taxes(1)	**(6)**	(6)		**(19)**	6	
Net income	**80**	76	5	**237**	253	(6)
Average assets	**11,007**	10,442	5	**10,991**	10,283	7
Average loans and acceptances	**9,413**	8,818	7	**9,356**	8,663	8
Net impaired loans	**5**	5		**5**	5	
Average deposits	**28,274**	24,185	17	**27,280**	24,354	12
Efficiency ratio excluding specified items(1)	**67.7 %**	68.0 %		**67.5 %**	68.2 %	

(1) See the Financial Reporting Method section on page 4.

In the Wealth Management segment, net income totalled $80 million for the third quarter of 2016 compared to $76 million in the same quarter of 2015. Excluding specified items, which include the acquisition-related items of recent years, Wealth Management's 2016 third-quarter net income totalled $86 million, up 5% from $82 million in the same quarter of 2015. Also excluding specified items, the segment's third-quarter total revenues amounted to $362 million, up 4% from $347 million in the third quarter of 2015. This revenue increase came mainly from net interest income growth, which was driven by the CashPerformer account and brokerage accounts, and from fee-based revenues, partly offset by a decrease in transaction-based and other revenues given a decline in brokerage transactions.

Excluding the acquisition-related specified items of recent years, non-interest expenses stood at $245 million in the third quarter of 2016, a 4% year-over-year increase that was mainly due to a rise in variable compensation and management fees given the higher revenues. At 67.7%, the efficiency ratio for the third quarter of 2016 improved by 0.3 percentage points when compared to the same quarter of 2015.

For the nine months ended July 31, 2016, the Wealth Management segment's net income totalled $237 million, down 6% from $253 million in the same period of 2015. Excluding specified items, which include the acquisition-related items of recent years and a gain on the sale of Fiera Capital shares recorded in 2015, net income totalled $256 million for the nine months ended July 31, 2016, up $9 million or 4% from the same period in 2015. The segment's nine-month total revenues amounted to $1,075 million versus $1,052 million in the nine months ended July 31, 2015. This increase came from growth in net interest income and from higher fee-based revenues associated with the migration of assets from transactional accounts to fee-based accounts. These increases more than offset the decrease in transaction-based and other revenues. For the nine months ended July 31, 2016, non-interest expenses stood at $726 million, a $9 million increase from the same nine-month period of 2015 owing to the same factors provided for the quarter. At 67.5%, the efficiency ratio for the first nine months of 2016 improved from 68.2% in the same nine-month period of 2015.

Financial Markets

(taxable equivalent basis)(1)
(millions of Canadian dollars)

	Quarter ended July 31			Nine months ended July 31		
	2016	2015	% Change	**2016**	2015	% Change
Operating results excluding specified items(2)						
Trading activity revenues						
Equities	**85**	127	(33)	**320**	353	(9)
Fixed-income	**75**	53	42	**183**	174	5
Commodities and foreign exchange	**21**	26	(19)	**92**	112	(18)
	181	206	(12)	**595**	639	(7)
Financial market fees	**93**	90	3	**214**	229	(7)
Gains (losses) on available-for-sale securities, net	**7**	15	(53)	**11**	11	–
Banking services	**84**	75	12	**231**	207	12
Credigy Ltd.	**70**	63	11	**244**	146	67
Other	**5**	21	(76)	**25**	84	(70)
Total revenues	**440**	470	(6)	**1,320**	1,316	–
Non-interest expenses	**198**	194	2	**583**	559	4
Contribution	**242**	276	(12)	**737**	757	(3)
Provisions for credit losses	**–**	–		**–**	–	
Income before income taxes	**242**	276	(12)	**737**	757	(3)
Income taxes	**68**	75	(9)	**208**	205	1
Net income excluding specified items	**174**	201	(13)	**529**	552	(4)
Specified items after income taxes(2)	**–**	–		**(145)**	(16)	
Net income	**174**	201	(13)	**384**	536	(28)
Non-controlling interests	**3**	3		**15**	8	
Net income attributable to the Bank's shareholders	**171**	198	(14)	**369**	528	(30)
Average assets	**92,696**	87,064	6	**89,657**	88,672	1
Average loans and acceptances (Corporate Banking only)	**13,234**	10,380	27	**12,279**	9,744	26
Average deposits	**13,156**	12,757	3	**13,268**	12,473	6
Efficiency ratio excluding specified items(2)	**45.0 %**	41.3 %		**44.2 %**	42.5 %	

(1) See Note 23 to the consolidated financial statements.
(2) See the Financial Reporting Method section on page 4.

In the Financial Markets segment, net income totalled $174 million for the third quarter of 2016 compared to $201 million in the same quarter of 2015. On a taxable equivalent basis, the segment's third-quarter total revenues amounted to $440 million compared to $470 million in the third quarter of 2015. Trading activity revenues declined 12%, mainly due to decreases in revenues from equity securities and from commodities and foreign exchange contracts, partly offset by a 42% increase in revenues from fixed-income securities. Third-quarter banking service revenues grew 12% year over year, particularly due to more robust credit activity, and revenues from financial market fees were up slightly compared to the same quarter of 2015. Revenues from the Credigy Ltd. subsidiary rose $7 million due to sustained growth in specialty finance activities, whereas revenues from the segment's other activities were down, particularly because of the share in the net income of associate Maple that had been recorded during the third quarter of 2015.

At $198 million, the segment's 2016 third-quarter non-interest expenses increased $4 million year over year, mainly due to higher operations support charges. At 45.0% in the third quarter of 2016, the efficiency ratio rose by 3.7 percentage points from the same quarter of 2015. Provisions for credit losses were nil in both the third quarters of 2016 and 2015.

For the nine months ended July 31, 2016, the Financial Markets segment posted net income of $384 million, down $152 million from the same nine-month period of 2015. Excluding the write-off of the equity interest in associate Maple and the 2015 specified item of $16 million, net of income taxes, for the share in the current tax asset write-down of an associate, the segment's net income totalled $529 million for the nine months ended July 31, 2016, a 4% decrease from the same period of 2015. On a taxable equivalent basis and excluding specified items, the segment's nine-month total revenues amounted to $1,320 million, up $4 million from $1,316 million in the first nine months of 2015. This increase came from the revenues generated by the Credigy Ltd. subsidiary, which rose $98 million compared to the same period in 2015. In addition, banking service revenues grew by 12%. Given market conditions, trading activity revenues and financial market fee revenues decreased year over year. The nine-month decrease in trading activity revenues was essentially due to equity securities and commodities and foreign exchange contracts, the revenues from which decreased by 9% and 18%, respectively, year over year. Revenues from the segment's other activities also decreased, as gains on investments and the share in net income of associate Maple had been recorded in the nine-month period ended July 31, 2015.

For the nine months ended July 31, 2016, the segment's non-interest expenses increased year over year, particularly due to higher expenses at the Credigy Ltd. subsidiary as a result of its business growth.

Other

(taxable equivalent basis)(1)
(millions of Canadian dollars)

	Quarter ended July 31		Nine months ended July 31	
	2016	2015	**2016**	2015
Operating results excluding specified items(2)				
Net interest income	**(5)**	(36)	**(73)**	(103)
Non-interest income	**74**	41	**164**	138
Total revenues	**69**	5	**91**	35
Non-interest expenses	**72**	58	**168**	141
Income before income taxes	**(3)**	(53)	**(77)**	(106)
Income taxes (recovery)	**(26)**	(21)	**(64)**	(44)
Net income excluding specified items	**23**	(32)	**(13)**	(62)
Specified items after income taxes(2)	**(2)**	15	**(37)**	17
Net income	**21**	(17)	**(50)**	(45)
Non-controlling interests	**15**	14	**42**	43
Net income attributable to the Bank's shareholders	**6**	(31)	**(92)**	(88)
Average assets	**42,644**	36,659	**41,914**	35,878

(1) See Note 23 to the consolidated financial statements.
(2) See the Financial Reporting Method section on page 4.

For the *Other* heading of segment results, there was net income of $21 million in the third quarter of 2016 compared to a net loss of $17 million in the same quarter of 2015. This change stems essentially from a $41 million non-taxable gain on a revaluation of the previously held equity interest in ABA and from a higher contribution from treasury activities in the third quarter of 2016 that more than offset the revenues related to holding restructured notes recorded in the third quarter of 2015. In addition, the acquisition of ABA completed during the third quarter of 2016 contributed $9 million to net income.

For the nine months ended July 31, 2016, there was a net loss of $50 million compared to a net loss of $45 million in the same nine-month period of 2015; this change was attributable to the $41 million non-taxable gain on a revaluation of the previously held equity interest in ABA, partly offset by the Bank's share in the charges arising from its equity interest in TMX, particularly an amount of $13 million, net of income taxes, in goodwill and intangible asset impairment losses; by the higher compensatory tax on salaries; by business development expenses; and by an $18 million tax provision recorded in the second quarter of 2016. In addition, during the nine-month period ended July 31, 2015, the year-over-year change was due to the following items, net of income taxes: $36 million in revenues related to a rise in the fair value of restructured notes and a $27 million gain on the disposal of restructured notes of the MAV III conduits that had been partly offset by $33 million in intangible asset impairment losses.

Consolidated Balance Sheet

Consolidated Balance Sheet Summary

(millions of Canadian dollars)	**As at July 31, 2016**	As at October 31, 2015	% Change
Assets			
Cash and deposits with financial institutions	**8,824**	7,567	17
Securities	**62,441**	56,040	11
Securities purchased under reverse repurchase agreements and securities borrowed	**14,880**	17,702	(16)
Loans and acceptances (net of allowances for credit losses)	**124,789**	115,238	8
Other	**18,962**	19,543	(3)
	229,896	216,090	6
Liabilities and equity			
Deposits	**138,875**	128,830	8
Other	**77,990**	74,383	5
Subordinated debt	**1,014**	1,522	(33)
Equity attributable to the Bank's shareholders	**11,213**	10,554	6
Non-controlling interests	**804**	801	–
	229,896	216,090	6

Assets
As at July 31, 2016, the Bank had total assets of $229.9 billion compared to $216.1 billion as at October 31, 2015, a $13.8 billion or 6% increase. Cash and deposits with financial institutions increased by $1.2 billion. Securities rose $6.4 billion since October 31, 2015, particularly given the $2.8 billion purchase of held-to-maturity securities and a $3.5 billion increase in equity securities at fair value through profit or loss, whereas securities purchased under reverse repurchase agreements and securities borrowed decreased by $2.8 billion.

As at July 31, 2016, loans and acceptances, net of allowances for credit losses, increased by $9.6 billion since October 31, 2015 owing to growth in mortgage lending (including home equity lines of credit) and in loans to businesses and government. The following table provides a breakdown of the main loan and acceptance portfolios.

(millions of Canadian dollars)	As at July 31, 2016	As at October 31, 2015	As at July 31, 2015
Loans and acceptances			
Consumer	**31,289**	29,864	29,372
Residential mortgage	**47,531**	43,520	42,200
Credit card receivable	**2,140**	2,069	2,005
Business and government	**44,609**	40,354	39,774
	125,569	115,807	113,351

Since October 31, 2015, consumer loans increased by 5%, primarily due to home equity lines of credit and personal loans, and, rising 9%, residential mortgages also grew, particularly mortgages purchased for securitization purposes. Loans and acceptances to businesses increased by $4.3 billion or 11% since October 31, 2015, mainly because of corporate loan financing and the activities of the Credigy Ltd. subsidiary. When compared to a year ago, loans and acceptances increased by $12.2 billion or 11%. Consumer loans and residential mortgage loans rose, respectively, by 6% and 13% from a year ago. Loans and acceptances to businesses also contributed to the growth, rising 12% from a year ago and due to the same reasons provided for the change since October 31, 2015.

As at July 31, 2016, derivative financial instruments amounted to $10.9 billion, an increase of $0.1 billion since October 31, 2015. This change should be analyzed along with the derivative financial instruments presented in liabilities, which, at $8.0 billion, were up $0.2 billion, resulting in a net decrease of $0.1 billion since October 31, 2015.

Liabilities

As at July 31, 2016, the Bank had total liabilities of $217.9 billion compared to $204.7 billion as at October 31, 2015.

As at July 31, 2016, the Bank's total deposit liability was $138.9 billion versus $128.8 billion as at October 31, 2015, an increase of $10.1 billion or 8%. The following table provides a breakdown of total personal savings.

(millions of Canadian dollars)	As at July 31, 2016	As at October 31, 2015	As at July 31, 2015
Balance sheet			
Deposits	**49,489**	45,981	45,825
Off-balance-sheet			
Full-service brokerage	**113,502**	105,395	108,941
Mutual funds	**28,068**	25,783	20,899
Other	**518**	636	4,084
	142,088	131,814	133,924
Total personal savings	**191,577**	177,795	179,749

At $49.5 billion as at July 31, 2016, personal deposits increased by 8% since October 31, 2015 and were up $3.7 billion from a year ago. Since the beginning of the fiscal year, personal savings included in assets under administration and under management increased 8% and, from a year ago, were up $8.2 billion or 6% given the stock market recovery.

At $83.6 billion, business and government deposits rose $9.2 billion since October 31, 2015 as a result of Bank initiatives to grow this type of deposit. At $5.8 billion, deposits from deposit-taking institutions decreased $2.6 billion since October 31, 2015, mainly attributable to deposits from U.S. government financial institutions and other international financial institutions. Other funding activities increased $3.6 billion since October 31, 2015, essentially due to obligations related to securities sold under repurchase agreements and securities loaned.

Equity

As at July 31, 2016, the Bank's equity amounted to $12.0 billion, up $0.7 billion from October 31, 2015. This increase came mainly from the issuance of Series 34 and 36 preferred shares for an amount of $800 million, partly offset by the redemption of Series 20 preferred shares for an amount of $176 million. Furthermore, retained earnings decreased, essentially due to remeasurements of pension plans and other post-employment benefit plans.

As at August 26, 2016, there were 337,746,549 common shares and 17,589,649 stock options outstanding. For additional information on share capital, see Note 18 to the audited annual consolidated financial statements for the year ended October 31, 2015 and Note 15 to the consolidated financial statements of this quarter.

Maple Financial Group Inc.

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

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

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

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

Acquisition

Advanced Bank of Asia Limited

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

For the third quarter and nine-month period ended July 31, 2016, the amount of the acquisition-related costs included in *Non-interest expenses* in the Consolidated Statement of Income was negligible. During the quarter ended July 31, 2016, the Bank also recognized a $41 million non-taxable gain on the revaluation of its previously held equity interest in ABA in the *Non-interest income – Other* item of the Consolidated Statement of Income. For segment disclosure purposes, this gain and ABA's financial results have been included in the *Other* heading. ABA's results have been consolidated in the Bank's financial statements as of May 17, 2016. During the nine-month period ended July 31, 2016, ABA contributed approximately $18 million to the Bank's total revenues and approximately $9 million to its net income. Had the Bank completed the acquisition on November 1, 2015, it would have reported total revenues of approximately $4,304 million and net income of approximately $959 million for the nine months ended July 31, 2016.

Related Party Transactions

The Bank's policies and procedures regarding related party transactions have not significantly changed since October 31, 2015. For additional information, see Note 29 to the audited annual consolidated financial statements for the year ended October 31, 2015.

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, the margin funding facility of the master asset vehicle (MAV) conduits, 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 43 and 44 of the *2015 Annual Report*. For additional information on guarantees and a description of obligations under certain indemnification agreements, see Note 27 to the audited annual consolidated financial statements for the year ended October 31, 2015.

For additional information about financial assets transferred but not derecognized and structured entities, see Notes 7 and 22, respectively, to the consolidated financial statements.

ACCOUNTING POLICIES AND FINANCIAL DISCLOSURE

Accounting Policies and Critical Accounting Estimates

The Bank's consolidated financial statements are prepared in accordance 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 financial statements are to be prepared in accordance with IFRS, as issued by the IASB. 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, 2015, except for the changes described further down. Future accounting policy changes are described on the following page.

As at November 1, 2015, the Bank reclassified certain amounts in the Consolidated Statement of Income to better reflect the nature of reported revenues in the Personal and Commercial segment. Accordingly, for the quarter ended July 31, 2015, an amount of $11 million presented in the *Non-interest income – Credit fees* item was reclassified to *Net interest income* ($30 million for the nine-month period ended July 31, 2015). This reclassification had no impact on *Net income*.

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 90 to 93 of the *2015 Annual Report*, except for the changes described on the following page.

Accounting Policy Changes

IFRS 9 – *Financial Instruments (own credit risk)*

On February 1, 2016, the Bank early adopted, on a prospective basis, the own credit risk provisions set out in IFRS 9 – *Financial Instruments*. According to these provisions, changes in the fair value of financial liabilities designated at fair value through profit or loss that are attributable to changes in an entity's own credit risk must be recognized in *Other comprehensive income* unless these changes offset the amounts recognized in *Net income*. Fair value changes not attributable to an entity's own risk continue to be recognized in *Non-interest income* in the Consolidated Statement of Income. The amounts recognized in *Other comprehensive income* will not be subsequently reclassified to *Net income.* For the interim and annual periods prior to February 1, 2016, changes in the fair value of financial liabilities designated at fair value through profit or loss had been recognized in *Non-interest income* in the Consolidated Statement of Income.

Held-to-Maturity Securities

During the quarters ended April 30, 2016 and July 31, 2016, the Bank classified securities in the held-to-maturity category. Held-to-maturity securities are financial assets with fixed or determinable payments and a fixed maturity that the Bank intends and is able to hold until maturity. The Bank accounts for held-to-maturity securities transactions on the trade date, and the related transaction costs are capitalized. These securities are initially recognized at fair value. In subsequent periods, they are recognized at amortized cost using the effective interest rate method, less any impairment loss measured using the same impairment model used for loans. Interest income and the amortization of premiums and discounts on these securities are recognized in *Net interest income* in the Consolidated Statement of Income.

Changes in Accounting Estimates

Impairment of Available-for-Sale Securities

During the quarter ended January 31, 2016, following an assessment of market conditions, the Bank revisited the definition of the terms "significant" and "prolonged" in order to provide a better estimate of impairment losses, when applicable, on the equity securities classified in available-for-sale securities. As defined in Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2015, the term "significant" represents a decline in fair value of more than 30% over a consecutive period of at least six months, and the term "prolonged" represents a decline in fair value of more than 5% over a consecutive period of at least 12 months. Considering the facts and circumstances, the definitions were changed to the following: a decline in fair value of more than 40% over a consecutive period of at least six months for the term "significant" and a decline in fair value of more than 5% over a consecutive period of at least 18 months for the term "prolonged." This change in definitions, effective November 1, 2015, is considered a change in accounting estimate and is therefore applied prospectively. This change had the effect of decreasing the impairment losses on the equity securities classified in available-for-sale securities from $9 million to $3 million for the quarter ended January 31, 2016.

Sectoral Provision on Non-Impaired Loans

During the quarter ended April 30, 2016, following a significant increase in the credit risk of a group of loans of a specific industry, the Bank recorded a sectoral provision on non-impaired loans. When the credit risk of a loan portfolio with similar credit risk characteristics or of a group of loans of a specific industry increases significantly but the loans have yet to be individually identified as impaired, a sectoral provision is established collectively for the entire loan portfolio or loan group. This sectoral provision reflects the impairment losses that the Bank has incurred as a result of events that have occurred but where the individual loss has not been identified.

Future Accounting Policy Changes

The Bank is currently assessing the impact that the adoption of the following standards will have on its consolidated financial statements.

Effective Date – Early Adoption on November 1, 2017

IFRS 9 – *Financial Instruments*

In July 2014, the IASB issued a complete and final version of IFRS 9, which replaces the current standard on financial instruments. IFRS 9 sets out requirements for the classification and measurement of financial assets and financial liabilities, for the impairment of financial assets, and for general hedge accounting. Macro hedge accounting has been decoupled from IFRS 9 and will be considered and issued as a separate standard. IFRS 9 provides a single model for financial asset classification and measurement that is based on contractual cash flow characteristics and on the business model for holding financial assets.

IFRS 9 also introduces a new, single impairment model for financial assets not measured at fair value through profit or loss that requires recognition of expected credit losses rather than incurred losses as applied under the current standard. This model requires the recognition of 12-month expected credit losses as of the initial recognition date of a financial asset and recognition of lifetime expected losses if the financial instrument's credit risk has increased significantly since initial recognition. In December 2015, the Basel Committee on Banking Supervision issued *Guidance on Credit Risk and Accounting for Expected Credit Losses*. In June 2016, OSFI issued the final guideline on *IFRS 9 Financial Instruments and Disclosures*, setting out its expectations regarding IFRS 9 application.

As for the new hedge accounting model, it provides better alignment of hedge accounting with risk management activities. However, the current hedge accounting requirements may continue to be applied until the IASB finalizes its macro hedge accounting project.

The IASB is requiring IFRS 9 to be applied as of November 1, 2018 and is permitting early adoption. On January 9, 2015, OSFI issued a final version of *Early Adoption of IFRS 9 Financial Instruments for Domestic Systemically Important Banks*, stating, however, that it expects Domestic Systemically Important Banks, a group that includes the Bank, to adopt IFRS 9 as of November 1, 2017. In general, IFRS 9 is to be applied retrospectively.

The Bank will therefore adopt the IFRS 9 provisions as of November 1, 2017. Its first financial statements presented in accordance with these provisions will be its unaudited interim condensed consolidated financial statements for the quarter ending January 31, 2018 and will include an opening consolidated balance sheet as at November 1, 2017.

In preparation for the adoption of IFRS 9, the Bank has established an enterprise-wide project, assembled a dedicated team, and established a formal governance structure. It has started implementing a detailed project plan comprising key activities and a corresponding schedule. The project is proceeding according to schedule. As interpretations of the new standard are still evolving, the Bank continues to monitor the interpretations and revisit its preliminary conclusions.

Effective Date – November 1, 2018

IFRS 15 – *Revenue from Contracts with Customers*

In May 2014, the IASB issued a new standard, IFRS 15, which replaces the current revenue recognition standards and interpretations. IFRS 15 provides a single comprehensive model to use when accounting for revenue arising from contracts with customers. The new model applies to all contracts with customers except those that are within the scope of other IFRS standards such as leases, insurance contracts and financial instruments. IFRS 15 is to be applied retrospectively.

At its meeting on July 22, 2015, the IASB unanimously confirmed its proposal to defer the effective date of IFRS 15 to fiscal years beginning on or after January 1, 2018. Early application is still permitted.

Effective Date – November 1, 2019

IFRS 16 – *Leases*

In January 2016, the IASB issued a new standard, IFRS 16 – *Leases*. The new standard requires lessees to recognize most leases on the balance sheet using a single model, thereby eliminating the distinction between operating and finance leases. Lessor accounting, however, remains similar to current accounting practice, and the distinction between operating and finance leases is retained. Early application is permitted if IFRS 15 – *Revenue from Contracts with Customers* has also been applied.

Financial Disclosure

During the third quarter of 2016, 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 $509 million as at July 31, 2016 ($568 million as at October 31, 2015).

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 July 31, 2016, total commitments for this type of loan stood at $2,395 million ($1,859 million as at October 31, 2015). Details about other exposures are provided in the table on structured entities in Note 22 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 *2015 Annual Report*, in this *Report to Shareholders*, and in the documents entitled *Supplementary Regulatory Capital Disclosure for the Third Quarter Ended July 31, 2016,* and *Supplementary Financial Information for the Third Quarter Ended July 31, 2016*, 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		
		2015 Annual Report	Report to Shareholders(1)	Supplementary Regulatory Capital Disclosure(1)
General				
1	Location of risk disclosures	10	18	
	Management's Discussion and Analysis	46 to 89, 100 and 104	19 to 38	
	Consolidated Financial Statements	Notes 1, 7, 16, 23 and 30	Notes 6 and 17	
	Supplementary Regulatory Capital Disclosure			4 to 29
2	Risk terminology and risk measures	55 to 89		
3	Top and emerging risks	55 and 56		
4	New key regulatory ratios	47 to 49, 75, 77 and 82	19 to 21, 30 and 68	
Risk governance and risk management				
5	Risk management organization, processes and key functions	58 to 61		
6	Risk management culture	58 and 59		
7	Key risks by business segment, risk management and risk appetite	54, 58 and 59		
8	Stress testing	46, 59, 67 and 75 to 79		
Capital adequacy and risk-weighted assets (RWA)				
9	Minimum Pillar 1 capital requirements	47 to 49	19 to 21	
10	Reconciliation of the accounting balance sheet to the regulatory balance sheet			4 to 7
11	Movements in regulatory capital	51	22	
12	Capital planning	46 to 54		
13	RWA by business segment and by risk type	52 and 54	23	8
14	Capital requirements by risk and RWA calculation method	52 and 62 to 67	23	8
15	Banking book credit risk	52	23	8 and 11 to 16
16	Movements in RWA by risk type	53	24	9
17	Assessment of credit risk model performance	61, 65 and 73		11 to 17
Liquidity				
18	Liquidity management and components of the liquidity buffer	77 to 83	30 to 34	
Funding				
19	Summary of encumbered and unencumbered assets	80 and 81	32	
20	Residual contractual maturities of balance sheet items and off-balance-sheet commitments	191 to 194	35 to 38	
21	Funding strategy and funding sources	83 to 85	34	
Market risk				
22	Linkage of market risk measures to balance sheet	71 and 72	27 and 28	
23	Market risk factors	70, 73 to 76, 177 to 179	28 to 30	
24	VaR: Assumptions, limitations and validation procedures	73 to 75		
25	Stress tests, stressed VaR and backtesting	73 to 76		
Credit risk				
26	Credit risk exposures	63, 66 and 147 to 150	26 and 59 to 61	10 to 24 and 17 to 23(2)
27	Policies for identifying impaired loans	68, 120 and 121		
28	Movements in impaired loans and allowances for credit losses	100, 104 and 147 to 150	59 to 61	20
29	Counterparty credit risk relating to derivatives transactions	68, 69 and 161 to 163		25 and 26
30	Credit risk mitigation	67 to 69		22 and 24
Other risks				
31	Other risks: Governance, measurement and management	56, 57 and 86 to 89		
32	Publicly known risk events	86	No risk event	

(1) For the third quarter ended July 31, 2016.
(2) These pages are included in the document entitled *Supplementary Financial Information for the Third Quarter Ended July 31, 2016*.

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 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 46 to 54 of the Bank's *2015 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 is requiring Canadian banks to meet the minimum "all-in" thresholds rather than the minimum thresholds calculated using the "transitional" method.

OSFI designated Canada's six largest banks, a group that includes National Bank, as Domestic Systemically Important Banks (D-SIBs). 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.

In addition to those measures, OSFI is requiring 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 2016, 64%, 71% and 77% of total CVA will be applied to the calculation of the CET1, Tier 1 and Total capital ratios, respectively, and these percentages will gradually 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 under *Investor Relations › Capital and Debt Information › Regulatory Capital › Main Features of Regulatory Capital Instruments*.

Regulatory Environment

In December 2014, the BCBS issued two consultative papers, *Capital Floors: The Design of a Framework Based on Standardised Approaches* and *Revisions to the Standardised Approach for Credit Risk*, the latter having been reviewed a second time in December 2015. The capital floor is meant to mitigate risk related to internal credit risk calculation models and enhance the comparability of risk across banks. The new floor will replace the current one, which is still based on Basel I. The new standardized approach for credit risk aims to reduce reliance on credit rating agencies and improve risk sensitivity.

On January 28, 2015, the BCBS issued the final disclosure rules under Pillar 3: *Revised Pillar 3 Disclosure Requirements*. The new requirements are intended to improve transparency, consistency and comparability of results across banks and must be applied as of the end of 2016. However, on January 21, 2016, OSFI issued a draft guideline entitled *Pillar 3 Disclosure Requirements*, specifying therein that D-SIBs will have to meet the BCBS's requirements as of the fiscal year ending October 31, 2017; most recently, in August 2016, OSFI decided to postpone the application to fiscal year ending October 31, 2018. The final version of the guideline will replace OSFI's November 2007 advisory, *Pillar 3 Disclosure Requirements*. On March 11, 2016, the BCBS issued a consultative paper entitled *Pillar 3 Disclosure Requirements – Phase 2.*

In July 2015, the BCBS issued a consultative paper, *Review of the Credit Valuation Adjustment Risk Framework*, with the aim of ensuring that all important drivers of CVA are considered in calculating capital, aligning the various accounting frameworks and ensuring consistency with the market risk framework. No date has been set for the implementation of these new rules, which will increase the level of capital the Bank is required to maintain.

On November 9, 2015, the FSB issued a standard entitled *Total Loss-Absorbing Capacity (TLAC) Standard for Global Systemically Important Banks (G-SIBs)*, which aims to implement a resolution strategy to determine whether global systemically important banks (G-SIBs) have sufficient loss-absorbing capacity to minimize impacts on financial stability and maintain the continuity of critical economic functions. There is currently no guidance on how the proposed standard will be incorporated into Canada's bail-in regime, which has yet to be finalized. Also on November 9, 2015, the BCBS issued a consultative paper, *TLAC Holdings,* which sets out the proposed regulatory capital treatment for loss-absorbing instruments held by internationally active banks. This proposed prudential treatment is intended to reduce contagion in the financial system should a G-SIB go into resolution.

On December 17, 2015, the BCBS issued a consultative paper, *Identification and Measurement of Step-In Risk,* that measures the risk of the Bank providing support to an unconsolidated entity, should that entity experience financial stress, and do so beyond or in the absence of any contractual obligation in order to mitigate the impact of the shadow banking system.

On January 14, 2016, the BCBS issued the final rules for calculating market risk in *Minimum Capital Requirements for Market Risk*, a document that aims to remedy structural weaknesses in the trading portfolio that had not been addressed in previous market risk revisions. These rules will come into effect on January 1, 2019.

On March 4, 2016, the BCBS issued *Standardised Measurement Approach for Operational Risk,* a consultative document that proposes a new standardized method for calculating operational risk.

In the federal budget tabled on March 22, 2016, the Government of Canada confirmed its intention to move forward with the rules proposed in the *Taxpayer Protection and Bank Recapitalization Regime Consultation Paper,* which outlines a proposed bail-in regime applicable to D-SIBs that is in line with key international standards such as the FSB's *Key Attributes of Effective Resolution Regimes for Financial Institutions.* On April 20, 2016, Canada's Finance Minister introduced draft legislation that creates a bail-in regime for D-SIBs. The shares and eligible liabilities that will be subject to the conversion powers mentioned in the draft legislation, as well as the terms and conditions of such conversion, will be prescribed by regulations. The draft legislation also provides that OSFI will require D-SIBs to maintain a minimum capacity to absorb losses. Higher loss absorbency requirements will be established to ensure that affected banks maintain sufficient capital to absorb the proposed conversions. The implementation date of the proposed regime has not yet been determined. The Bank continues to monitor bail-in regime developments, as additional details on implementation, scope and timing are expected to follow through regulations.

On March 24, 2016, the BCBS issued *Reducing Variation in Credit Risk-Weighted Assets – Constraints on the Use of Internal Model Approaches,* a consultative document that aims to limit the use of advanced credit risk calculation models. On April 6, 2016, the BCBS also issued *Revisions to the Basel III Leverage Ratio Framework,* a consultative document that proposes, in particular, revisions to the treatment of derivative exposures.

On April 21, 2016, the BCBS issued *Interest Rate Risk in the Banking Book*, a document that addresses risk management, capital treatment and the supervision of interest rate risk in the banking book. These rules, which have to be implemented by 2018, are intended to ensure that banks have adequate capital to cover potential banking book losses arising from interest rate movements and to limit capital arbitrage between the trading book and the banking book.

In July 2016, the BCBS revised the final securitization framework rules issued in December 2014 in the document entitled *Revisions to the Securitisation Framework*, which will come into effect as of January 2018. This document was amended to include *Criteria for Identifying Simple, Transparent and Comparable Securitisations*, a document issued in July 2015, as well as *Capital Treatment for 'Simple, Transparent and Comparable' Securitisations*, a consultative paper issued in November 2015. The aim of this new document is to address some shortcomings in the current securitization framework while allowing a more favourable capital treatment for transactions meeting the requirements of simplicity, transparency and comparability.

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 July 31, 2016	As at October 31, 2015	BCBS 2016 (1)	OSFI 2016 (1)(2)
Capital ratios				
CET1	**9.9 %**	9.9 %	5.125 %	8.0 %
Tier 1(3)	**13.3 %**	12.5 %	6.625 %	9.5 %
Total(3)(4)	**15.1 %**	14.0 %	8.625 %	11.5 %
Leverage ratio	**3.7 %**	3.7 %	n.a.	3.0 %

n.a. Not applicable
(1) For the capital ratios, includes the 0.625% 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.
(3) Figures as at October 31, 2015 include the redemption of the Series 20 preferred shares on November 15, 2015.
(4) Figures as at October 31, 2015 include the $500 million redemption of notes on November 2, 2015.

Management Activities

On November 2, 2015, the Bank completed a $500 million redemption of medium-term notes maturing in November 2020 at a price equal to their nominal value plus accrued interest. These instruments had been excluded from the capital ratio calculations as at October 31, 2015.

On November 15, 2015, the Bank redeemed all the issued and outstanding Non-Cumulative Fixed-Rate Series 20 First Preferred Shares. Pursuant to the share conditions, the redemption price was $25.50 per share plus the periodic dividend declared and unpaid. These instruments had been excluded from the capital ratio calculations as at October 31, 2015.

On January 22, 2016, the Bank completed the issuance of 16,000,000 Non-Cumulative 5-Year Rate-Reset Series 34 First Preferred Shares at a price equal to $25.00 per share for gross proceeds of $400 million. Given that the Series 34 preferred shares satisfy the non-viability contingent capital requirements, they qualify for the purposes of calculating regulatory capital under Basel III.

On June 13, 2016, the Bank completed the issuance of 16,000,000 Non-Cumulative 5-Year Rate-Reset Series 36 First Preferred Shares at a price equal to $25.00 per share for gross proceeds of $400 million. Given that the Series 36 preferred shares satisfy the non-viability contingent capital requirements, they qualify for the purposes of calculating regulatory capital under Basel III.

On June 30, 2016, NBC Capital Trust, an open-end trust established by the Bank, redeemed the 225,000 Trust Capital Securities – Series 1, or NBC CapS – Series 1, issued and outstanding on June 30, 2016 at a redemption price of $1,000 per trust capital security plus the unpaid distributions as at the redemption date. Given this redemption, the Bank redeemed the $225 million deposit note from NBC Capital Trust.

Movement in Regulatory Capital[1]

(millions of Canadian dollars)	Nine months ended July 31, 2016
Common Equity Tier 1 (CET1) capital	
Balance at beginning	6,801
Issuance of common shares (including Stock Option Plan)	31
Repurchase of common shares	–
Contributed surplus	4
Dividends on preferred and common shares	(588)
Net income attributable to the Bank's shareholders	892
Common share capital issued by subsidiaries and held by third parties	7
Removal of own credit spread net of income taxes	7
Other	(368)
Movements in accumulated other comprehensive income	
Translation adjustments	1
Available-for-sale securities	29
Other	42
Change in goodwill and intangible assets (net of related tax liability)	(194)
Other, including regulatory adjustments and transitional arrangements	
Change in defined benefit pension plan asset (net of related tax liability)	146
Change in amount exceeding 15% threshold	
Deferred tax assets	–
Significant investment in common shares of financial institutions	–
Change in other regulatory adjustments[2]	(52)
Balance at end	6,758
Additional Tier 1 capital	
Balance at beginning	1,825
New Tier 1 eligible capital issuances	800
Redeemed capital[3]	–
Change in non-qualifying Additional Tier 1 subject to phase-out	(225)
Other, including regulatory adjustments and transitional arrangements	–
Balance at end	2,400
Total Tier 1 capital	9,158
Tier 2 capital	
Balance at beginning	1,052
New Tier 2 eligible capital issuances	–
Redeemed capital[4]	–
Change in non-qualifying Tier 2 subject to phase-out	1
Tier 2 instruments issued by subsidiaries and held by third parties	2
Change in eligible collective allowances	192
Other, including regulatory adjustments and transitional arrangements	–
Balance at end	1,247
Total regulatory capital	10,405

(1) Figures are presented on an "all-in" basis.
(2) Represents the change in investments in the Bank's own CET1 and shortfall of total provisions to expected losses.
(3) The redemption of the Series 20 preferred shares on November 15, 2015 was included in the October 31, 2015 Tier 1 capital.
(4) The $500 million redemption of notes on November 2, 2015 was included in the October 31, 2015 Tier 2 capital.

Risk-Weighted Assets by Key Risk Drivers

CET1 risk-weighted assets (RWA) decreased by $0.3 billion to total $68.5 billion as at July 31, 2016 compared to $68.8 billion as at October 31, 2015. This decrease came mainly from the impact of a decrease in market risk. The Bank's CET1 RWA are presented in the following table.

Capital Adequacy Under Basel III(1)

(millions of Canadian dollars)					As at July 31, 2016		As at October 31, 2015
	Exposure at default				Risk-weighted assets	Capital requirement(2)	Risk-weighted assets
		Standardized Approach	AIRB Approach	Other	Total		Total
Credit risk							
Retail							
Residential mortgages	47,567	624	4,824	–	5,448	436	4,975
Qualifying revolving retail	5,692	–	1,227	–	1,227	98	1,036
Other retail	15,306	1,966	4,908	–	6,874	550	6,651
Non-retail							
Corporate	57,548	2,257	23,744	–	26,001	2,080	26,662
Sovereign	28,045	193	656	–	849	68	629
Financial institutions	4,303	360	1,011	–	1,371	109	974
Banking book equities(3)	624	–	624	–	624	50	593
Securitization	3,177	–	785	–	785	63	798
Other assets	27,291	–	–	3,700	3,700	296	4,252
Counterparty credit risk							
Corporate	6,853	58	61	–	119	10	96
Sovereign	15,257	–	18	–	18	1	22
Financial institutions	58,759	–	1,683	–	1,683	135	1,402
Trading portfolio	9,683	189	2,307	–	2,496	199	2,774
Credit valuation adjustment charge(4)		2,145	–	–	2,145	172	2,367
Regulatory scaling factor		–	2,508	–	2,508	201	2,512
Total – Credit risk	280,105	7,792	44,356	3,700	55,848	4,468	55,743
Market risk							
VaR		–	1,097	–	1,097	88	1,262
Stressed VaR		–	1,512	–	1,512	121	1,875
Interest rate specific risk		682	–	–	682	54	828
Total – Market risk		682	2,609	–	3,291	263	3,965
Operational risk		9,391	–	–	9,391	751	9,127
Total	280,105	17,865	46,965	3,700	68,530	5,482	68,835

(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
			July 31, 2016	April 30, 2016	January 31, 2016
	Non-counterparty credit risk	Counterparty credit risk[2]	Total	Total	Total
Credit risk – Risk-weighted assets at beginning	**49,089**	**6,061**	**55,150**	56,684	55,743
Book size	**(420)**	**6**	**(414)**	(368)	631
Book quality	**(432)**	**297**	**(135)**	(41)	(411)
Model updates	**–**	**–**	**–**	8	–
Methodology and policy	**–**	**–**	**–**	–	–
Acquisitions and disposals	**790**	**–**	**790**	–	–
Foreign exchange movements	**360**	**97**	**457**	(1,133)	721
Credit risk – Risk-weighted assets at end	**49,387**	**6,461**	**55,848**	55,150	56,684
Market risk – Risk-weighted assets at beginning			**3,971**	3,779	3,965
Movement in risk levels[3]			**(680)**	192	(186)
Model updates			**–**	–	–
Methodology and policy			**–**	–	–
Acquisitions and disposals			**–**	–	–
Market risk – Risk-weighted assets at end			**3,291**	3,971	3,779
Operational risk – Risk-weighted assets at beginning			**9,254**	9,278	9,127
Movement in risk levels			**137**	(24)	151
Acquisitions and disposals			**–**	–	–
Operational risk – Risk-weighted assets at end			**9,391**	9,254	9,278
Risk-weighted assets at end			**68,530**	68,375	69,741

(1) Figures are presented on an "all-in" basis.
(2) Calculated based on CET1 risk-weighted assets.
(3) Also includes foreign exchange 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 *Acquisitions and disposals* item includes the impact of the acquisition of the ABA subsidiary completed during the third quarter of 2016.

Regulatory Capital Ratios

The CET1 capital ratio was 9.9% as at July 31, 2016, unchanged from 9.9% as at October 31, 2015. The Tier 1 and the Total capital ratios were, respectively, 13.3% and 15.1% as at July 31, 2016 versus 12.5% and 14.0% as at October 31, 2015. The change in these two capital ratios stems essentially from the issuances of Series 34 and 36 preferred shares for $800 million as well as from the Bank's redemption of the $225 million deposit note from NBC Capital Trust.

The leverage ratio was 3.7% as at July 31, 2016, unchanged from October 31, 2015.

Regulatory Capital and Ratios Under Basel III[1]

(millions of Canadian dollars)	As at July 31, 2016	As at October 31, 2015
Capital		
CET1	6,758	6,801
Tier 1[2]	9,158	8,626
Total[2][3]	10,405	9,678
Risk-weighted assets		
CET1 capital	68,530	68,835
Tier 1 capital	68,765	69,094
Total capital	68,966	69,316
Total exposure	248,276	234,957
Capital ratios		
CET1	9.9 %	9.9 %
Tier 1[2]	13.3 %	12.5 %
Total[2][3]	15.1 %	14.0 %
Leverage ratio	3.7 %	3.7 %

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

Dividends

On August 30, 2016, the Board of Directors declared regular dividends on the various series of first preferred shares and a dividend of 55 cents per common share, payable on November 1, 2016 to shareholders of record on September 26, 2016.

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 *2015 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 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 55 to 89 of the *2015 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 July 31, 2016**	As at October 31, 2015
	Drawn	**Undrawn commitments**	**Repo-style transactions[1]**	**OTC derivatives**	**Other off-balance-sheet items[2]**	**Total**	Total
Retail							
Residential mortgages	**41,590**	**5,977**	**–**	**–**	**–**	**47,567**	44,431
Qualifying revolving retail	**2,763**	**2,929**	**–**	**–**	**–**	**5,692**	5,198
Other retail	**14,014**	**1,279**	**–**	**–**	**13**	**15,306**	15,052
	58,367	**10,185**	**–**	**–**	**13**	**68,565**	64,681
Non-retail							
Corporate	**41,348**	**13,376**	**6,842**	**11**	**2,824**	**64,401**	58,429
Sovereign	**24,345**	**3,592**	**14,956**	**301**	**108**	**43,302**	35,584
Financial institutions	**3,398**	**347**	**58,296**	**463**	**558**	**63,062**	63,033
	69,091	**17,315**	**80,094**	**775**	**3,490**	**170,765**	157,046
Trading portfolio	**–**	**–**	**–**	**9,683**	**–**	**9,683**	10,318
Securitization	**636**	**–**	**–**	**–**	**2,541**	**3,177**	2,982
Total – Gross Credit Risk	**128,094**	**27,500**	**80,094**	**10,458**	**6,044**	**252,190**	235,027
Standardized Approach	**10,851**	**455**	**2,058**	**238**	**453**	**14,055**	10,865
AIRB Approach	**117,243**	**27,045**	**78,036**	**10,220**	**5,591**	**238,135**	224,162
Total – Gross Credit Risk	**128,094**	**27,500**	**80,094**	**10,458**	**6,044**	**252,190**	235,027

(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 fails to 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 Third Quarter Ended July 31, 2016* and in *Supplementary Regulatory Capital Disclosure for the Third Quarter Ended July 31, 2016,* 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 July 31, 2016
		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	8,824	57	8,043	724	Interest rate(3)
Securities					
At fair value through profit or loss	45,527	43,917	1,610	–	Interest rate(3) and other(4)
Available-for-sale	14,156	–	14,156	–	Interest rate(3) and equity(5)
Held-to-maturity	2,758	–	2,758	–	Interest rate(3)
Securities purchased under reverse repurchase agreements and securities borrowed	14,880	–	14,880	–	Interest rate(3)(6)
Loans, net of allowances	117,830	6,005	111,825	–	Interest rate(3)
Customers' liability under acceptances	6,959	–	6,959	–	Interest rate(3)
Derivative financial instruments	10,943	9,354	1,589	–	Interest rate
Purchased receivables	1,553	–	1,553	–	Interest rate
Defined benefit asset	49	–	49	–	Other
Other	6,417	–	–	6,417	
	229,896	59,333	163,422	7,141	
Liabilities					
Deposits	138,875	4,518	134,357	–	Interest rate(3)
Acceptances	6,959	–	6,959	–	Interest rate(3)
Obligations related to securities sold short	12,748	12,748	–	–	
Obligations related to securities sold under repurchase agreements and securities loaned	23,548	–	23,548	–	Interest rate(3)(6)
Derivative financial instruments	7,968	6,956	1,012	–	Interest rate
Liabilities related to transferred receivables	19,560	4,256	15,304	–	Interest rate(3)
Defined benefit liability	263	–	263	–	Other
Other	6,944	44	1,349	5,551	Interest rate(3)
Subordinated debt	1,014	–	1,014	–	Interest rate(3)
	217,879	28,522	183,806	5,551	

(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 *2015 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 *2015 Annual Report*.
(4) See the Master Asset Vehicles section in Note 6 to the audited annual consolidated financial statements as at October 31, 2015.
(5) The fair value of equity securities classified as available-for-sale is disclosed 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.

(millions of Canadian dollars)					As at October 31, 2015
		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	7,567	36	7,192	339	Interest rate[3]
Securities					
At fair value through profit or loss	41,997	39,805	2,192	–	Interest rate[3] and other[4]
Available-for-sale	14,043	–	14,043	–	Interest rate[3] and equity[5]
Securities purchased under reverse repurchase agreements and securities borrowed	17,702	–	17,702	–	Interest rate[3][6]
Loans, net of allowances	105,853	4,565	101,288	–	Interest rate[3]
Customers' liability under acceptances, net of allowances	9,385	–	9,385	–	Interest rate[3]
Derivative financial instruments	10,842	9,412	1,430	–	Interest rate[7]
Purchased receivables	1,438	–	1,438	–	Interest rate
Defined benefit asset	268	–	268	–	Other[8]
Other	6,995	–	–	6,995	
	216,090	53,818	154,938	7,334	
Liabilities					
Deposits	128,830	3,204	125,626	–	Interest rate[3]
Acceptances	9,400	–	9,400	–	Interest rate[3]
Obligations related to securities sold short	17,333	17,333	–	–	
Obligations related to securities sold under repurchase agreements and securities loaned	13,779	–	13,779	–	Interest rate[3][6]
Derivative financial instruments	7,756	6,687	1,069	–	Interest rate[7]
Liabilities related to transferred receivables	19,770	4,139	15,631	–	Interest rate[3]
Defined benefit liability	183	–	183	–	Other[8]
Other	6,162	50	1,349	4,763	Interest rate[3]
Subordinated debt	1,522	–	1,522	–	Interest rate[3]
	204,735	31,413	168,559	4,763	

(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 *2015 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 *2015 Annual Report*.
(4) See the Master Asset Vehicles section in Note 6 to the audited annual consolidated financial statements as at October 31, 2015.
(5) The fair value of equity securities classified as available-for-sale is disclosed 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 16 and 17 to the audited annual consolidated financial statements as at October 31, 2015.
(8) See Note 23 to the audited annual consolidated financial statements as at October 31, 2015.

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		Nine months ended	
				July 31, 2016	April 30, 2016		July 31, 2015		**July 31, 2016**	July 31, 2015
	Low	**High**	**Average**	**Period end**	Average	Period end	Average	Period end	**Average**	Average
Interest rate	**(2.2)**	**(4.3)**	**(3.3)**	**(3.0)**	(4.3)	(3.6)	(5.0)	(5.4)	**(4.2)**	(4.9)
Exchange rate	**(2.1)**	**(4.3)**	**(3.2)**	**(2.1)**	(3.8)	(2.8)	(2.5)	(2.7)	**(3.3)**	(2.0)
Equity	**(2.6)**	**(3.7)**	**(3.1)**	**(3.2)**	(4.5)	(3.6)	(2.6)	(3.1)	**(3.9)**	(3.2)
Commodity	**(0.8)**	**(1.6)**	**(1.1)**	**(1.3)**	(0.8)	(0.9)	(0.8)	(0.7)	**(1.2)**	(1.0)
Correlation effect[2]	**n.m.**	**n.m.**	**5.2**	**3.8**	6.7	6.3	4.7	5.8	**6.4**	5.0
Total trading VaR	**(4.4)**	**(6.7)**	**(5.5)**	**(5.8)**	(6.7)	(4.6)	(6.2)	(6.1)	**(6.2)**	(6.1)

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 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]

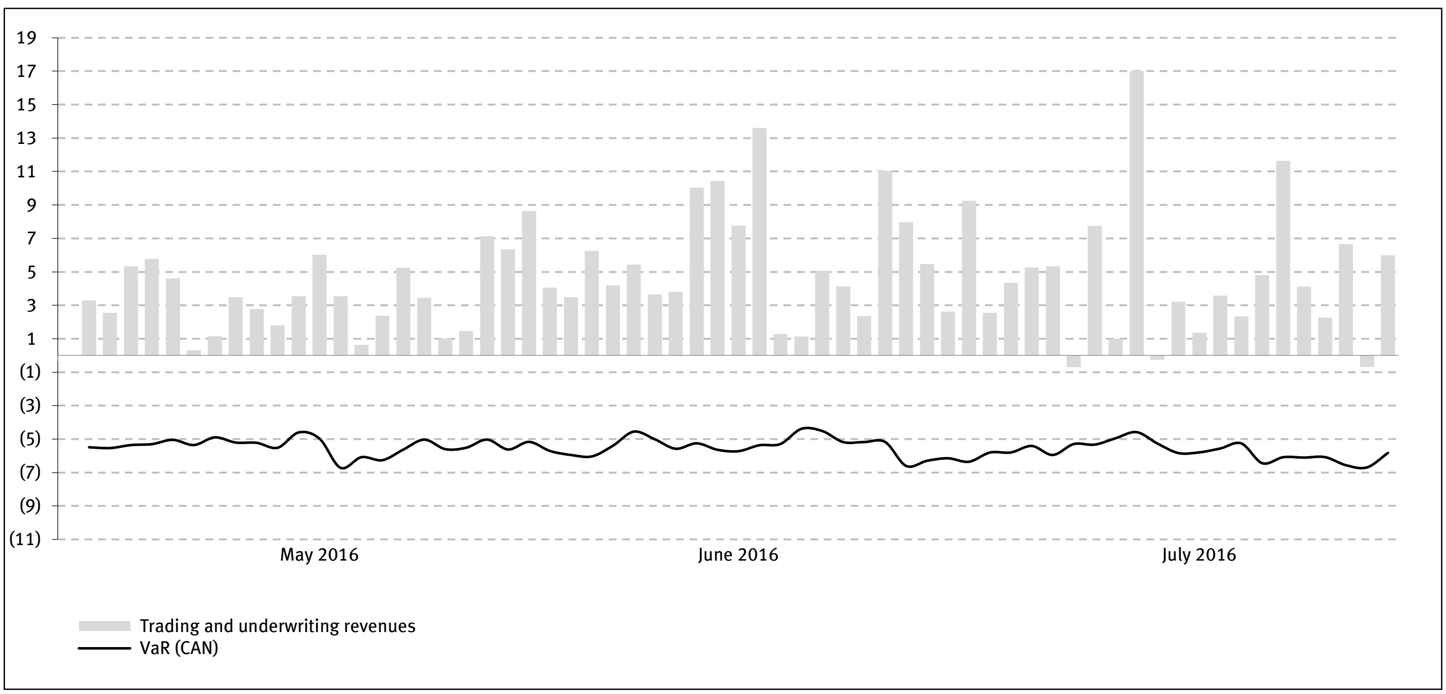
(millions of Canadian dollars)					Quarter ended				Nine months ended	
	July 31, 2016				April 30, 2016		July 31, 2015		July 31, 2016	July 31, 2015
	Low	High	Average	Period end	Average	Period end	Average	Period end	Average	Average
Interest rate	(4.5)	(8.3)	(6.4)	(4.9)	(7.9)	(6.2)	(8.3)	(10.0)	(7.9)	(8.7)
Exchange rate	(2.7)	(5.3)	(3.8)	(2.8)	(4.9)	(3.1)	(3.4)	(4.2)	(4.2)	(3.2)
Equity	(2.6)	(5.3)	(3.6)	(3.8)	(5.8)	(4.3)	(3.5)	(3.5)	(4.9)	(4.6)
Commodity	(0.8)	(2.2)	(1.2)	(1.4)	(1.1)	(1.2)	(1.0)	(1.3)	(1.5)	(1.7)
Correlation effect[2]	n.m.	n.m.	7.3	7.0	9.7	6.5	8.7	10.2	9.7	10.0
Total trading SVaR	(5.9)	(10.1)	(7.7)	(5.9)	(10.0)	(8.3)	(7.5)	(8.8)	(8.8)	(8.2)

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.

The average total trading VaR was $5.5 million for the quarter ended July 31, 2016 compared to $6.7 million for the quarter ended April 30, 2016. The average total trading SVaR was $7.7 million for the third quarter of 2016, decreasing $2.3 million from the preceding quarter. The lower averages for total trading VaR and SVaR were mainly caused by decreases across all risk categories except for the commodity category. Total trading VaR finished the quarter close to its average, ranging between $4.4 million and $6.7 million during the quarter. Total trading SVaR peaked in June but in July ended the quarter at a lower level.

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 July 31, 2016. No trading day was marked by net losses in excess of $1 million or of the VaR limit.

Quarter ended July 31, 2016
(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 net interest income for the next 12 months and on the economic value of equity in the Bank's non-trading portfolios, assuming no further hedging is undertaken.

(millions of Canadian dollars)			As at July 31, 2016			
	Impact on equity			Impact on net interest income		
	Canadian dollar	U.S. dollar	Total	Canadian dollar	U.S. dollar	Total
100-basis-point increase in the interest rate	(185)	30	(155)	(13)	12	(1)
100-basis-point decrease in the interest rate	144	(39)	105	19	(16)	3

(millions of Canadian dollars)			As at October 31, 2015			
	Impact on equity			Impact on net interest income		
	Canadian dollar	U.S. dollar	Total	Canadian dollar	U.S. dollar	Total
100-basis-point increase in the interest rate	(145)	20	(125)	14	16	30
100-basis-point decrease in the interest rate	115	(25)	90	(12)	(18)	(30)

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 Environment

The regulatory environment surrounding liquidity has evolved significantly in recent years. The Bank works closely with national and international regulators to implement regulatory liquidity standards. The guiding principles, standards and guidelines issued in recent years by the BCBS and OSFI are described on page 77 of the *2015 Annual Report*.

As for the *Liquidity Adequacy Requirements* (LAR) guideline issued by OSFI, the Bank has been in compliance with the Liquidity Coverage Ratio (LCR) and Net Cumulative Cash Flow (NCCF) metrics since their coming into force on January 1, 2015. The LAR guideline will be reviewed annually to reflect both national and international regulatory developments. Lastly, the Bank is currently assessing the impact of the future adoption of the bail-in regime applicable to D-SIBs.

In October 2014, the Bank for International Settlements (BIS) issued final rules for the Net Stable Funding Ratio (NSFR), which is a structural ratio over a one-year horizon. The Bank is currently monitoring this ratio and will be compliant in time for the implementation. In June 2015, the BCBS issued the final document on *Net Stable Funding Ratio Disclosure Standards*. This document sets out a common framework for the public disclosure of the NSFR, which would not be required before its formal implementation date of January 1, 2018.

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 July 31, 2016	As at October 31, 2015
	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	8,824	–	8,824	1,330	7,494	6,251
Securities						
Issued or guaranteed by Canada, U.S. Treasury, other U.S. agencies and other foreign governments	20,503	14,531	35,034	22,165	12,869	12,061
Issued or guaranteed by provinces	15,120	12,424	27,544	21,294	6,250	6,154
Issued or guaranteed by municipalities and school boards	696	228	924	337	587	1,020
Other debt securities	3,639	1,068	4,707	1,595	3,112	3,154
Equity securities	21,845	39,636	61,481	49,007	12,474	14,507
Loans						
Securities backed by insured residential mortgages	5,729	–	5,729	2,835	2,894	2,761
As at July 31, 2016	76,356	67,887	144,243	98,563	45,680	
As at October 31, 2015	66,908	68,915	135,823	89,915		45,908

(millions of Canadian dollars)	As at July 31, 2016	As at October 31, 2015
Unencumbered liquid assets by entity		
National Bank (parent)	24,974	28,739
Domestic subsidiaries	10,535	7,147
Foreign subsidiaries and branches	10,171	10,022
	45,680	45,908

(millions of Canadian dollars)	As at July 31, 2016	As at October 31, 2015
Unencumbered liquid assets by currency		
Canadian dollar	28,799	24,238
U.S. dollar	15,781	20,752
Other currencies	1,100	918
	45,680	45,908

Liquid Asset Portfolio – Average(4)

(millions of Canadian dollars)					Quarter ended July 31, 2016
	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	6,837	–	6,837	1,393	5,444
Securities					
Issued or guaranteed by Canada, U.S. Treasury, other U.S. agencies and other foreign governments	20,314	15,164	35,478	22,851	12,627
Issued or guaranteed by provinces	14,758	11,488	26,246	19,769	6,477
Issued or guaranteed by municipalities and school boards	696	254	950	316	634
Other debt securities	3,380	1,535	4,915	1,619	3,296
Equity securities	20,673	38,221	58,894	47,349	11,545
Loans					
Securities backed by insured residential mortgages	5,843	–	5,843	2,828	3,015
	72,501	66,662	139,163	96,125	43,038

(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 transactions 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 July 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	88	1,242	7,494	–	8,824	0.6
Securities	28,643	–	33,160	638	62,441	12.5
Securities purchased under reverse repurchase agreements and securities borrowed	–	12,748	2,132	–	14,880	5.5
Loans, net of allowances	31,566	–	2,894	83,370	117,830	13.7
Customers' liability under acceptances	–	–	–	6,959	6,959	–
Derivative financial instruments	–	–	–	10,943	10,943	–
Due from clients, dealers and brokers	–	–	–	235	235	–
Purchased receivables	–	–	–	1,553	1,553	–
Investments in associates and joint ventures	–	–	–	638	638	–
Premises and equipment	–	–	–	1,445	1,445	–
Goodwill	–	–	–	1,404	1,404	–
Intangible assets	–	–	–	1,142	1,142	–
Other assets	–	–	–	1,602	1,602	–
	60,297	13,990	45,680	109,929	229,896	32.3

(millions of Canadian dollars)						As at October 31, 2015
	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	42	1,274	6,251	–	7,567	0.6
Securities	18,858	–	36,527	655	56,040	8.7
Securities purchased under reverse repurchase agreements and securities borrowed	–	17,333	369	–	17,702	8.0
Loans, net of allowances	31,594	–	2,761	71,498	105,853	14.6
Customers' liability under acceptances, net of allowances	–	–	–	9,385	9,385	–
Derivative financial instruments	–	–	–	10,842	10,842	–
Due from clients, dealers and brokers	–	–	–	415	415	–
Purchased receivables	–	–	–	1,438	1,438	–
Investments in associates and joint ventures	–	–	–	831	831	–
Premises and equipment	–	–	–	1,817	1,817	–
Goodwill	–	–	–	1,277	1,277	–
Intangible assets	–	–	–	1,059	1,059	–
Other assets	–	–	–	1,864	1,864	–
	50,494	18,607	45,908	101,081	216,090	31.9

(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 covered bond programs.

(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 CMHC that can be securitized into mortgage-backed securities under the *National Housing Act* (Canada)).

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 three month-end figures in the quarter. For the quarter ended July 31, 2016, the Bank's average LCR was 137%, 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
		July 31, 2016	April 30, 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.	31,762	31,546
Cash outflows			
2 Retail deposits and deposits from small business customers, of which:	35,379	2,332	2,234
3 Stable deposits	17,231	517	510
4 Less stable deposits	18,148	1,815	1,724
5 Unsecured wholesale funding, of which:	42,643	23,453	21,548
6 Operational deposits (all counterparties)	10,851	2,607	2,430
7 Non-operational deposits (all counterparties)	23,889	12,943	11,803
8 Unsecured debt	7,903	7,903	7,315
9 Secured wholesale funding	n.a.	5,478	4,796
10 Additional requirements, of which:	36,690	9,078	9,493
11 Outflows related to derivative exposures and other collateral requirements	9,079	4,788	5,297
12 Outflows related to loss of funding on secured debt securities	906	906	758
13 Backstop liquidity and credit enhancement facilities and commitments to extend credit	26,705	3,384	3,438
14 Other contractual commitments to extend credit	924	107	170
15 Other contingent commitments to extend credit	70,794	814	795
16 Total cash outflows	n.a.	41,262	39,036
Cash inflows			
17 Secured lending (e.g., reverse repos)	47,732	8,973	8,266
18 Inflows from fully performing exposures	7,901	4,341	4,236
19 Other cash inflows	4,778	4,778	3,197
20 Total cash inflows	60,411	18,092	15,699
		Total adjusted value[4]	Total adjusted value[4]
21 Total HQLA	n.a.	31,762	31,546
22 Total net cash outflows	n.a.	23,170	23,337
23 Liquidity coverage ratio (%)[5]	n.a.	137 %	135 %

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 represents the average of the three month-end figures in the quarter. Consequently, the LCR ratio (line 23) is an average ratio for the three months of the quarter and might not equal the LCR ratio calculated using lines 21 and 22.

Level 1 liquid assets represent 85% of the Bank's HQLA, which includes cash, central bank deposits, and bonds issued or guaranteed by the Canadian and 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 without such variations necessarily being indicative of a trend. The variation between the quarter ended July 31, 2016 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 previously presented tables 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 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 July 31, 2016
	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]	919	85	–	4	1,008	–	72	1,080
Certificates of deposit and commercial paper[3]	2,622	2,454	1,174	1,156	7,406	98	–	7,504
Asset-backed commercial paper	–	–	–	–	–	–	–	–
Senior unsecured medium-term notes[4]	250	162	937	3,014	4,363	5,369	7,254	16,986
Senior unsecured structured notes	–	–	–	–	–	–	1,714	1,714
Covered bonds and asset-backed securities								
Mortgage securitization	–	113	1,163	1,443	2,719	3,074	13,767	19,560
Covered bonds	–	2,616	–	–	2,616	981	4,371	7,968
Securitization of credit card receivables	–	–	424	–	424	–	873	1,297
Subordinated liabilities[5]	–	–	–	1,005	1,005	–	9	1,014
Other[6]	4,083	–	6	–	4,089	–	–	4,089
	7,874	5,430	3,704	6,622	23,630	9,522	28,060	61,212
Secured funding	–	2,729	1,587	1,443	5,759	4,055	19,011	28,825
Unsecured funding	7,874	2,701	2,117	5,179	17,871	5,467	9,049	32,387
	7,874	5,430	3,704	6,622	23,630	9,522	28,060	61,212
As at October 31, 2015	5,196	4,901	6,623	7,312	24,032	9,187	27,801	61,020

(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 July 31, 2016
	One-notch downgrade	Two-notch downgrade	Three-notch downgrade
Derivatives[1]	15	37	70
Other[2]	–	199	199

(1) Contractual requirements related to agreements known as Credit Support Annexes.
(2) Contractual requirements related to the margin funding facility of the MAV conduits.

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 July 31, 2016 with comparative figures as at October 31, 2015. 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 July 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	6,557	26	17	24	18	1	–	–	2,181	8,824
Securities										
At fair value through profit or loss	1,086	1,834	1,035	897	833	3,565	8,702	6,385	21,190	45,527
Available-for-sale	63	178	123	131	76	493	6,880	5,682	530	14,156
Held-to-maturity	–	–	–	–	–	25	2,558	175	–	2,758
	1,149	2,012	1,158	1,028	909	4,083	18,140	12,242	21,720	62,441
Securities purchased under reverse repurchase agreements and securities borrowed	5,556	2,700	2,708	749	1,395	–	–	–	1,772	14,880
Loans and acceptances(1)										
Residential mortgage	1,087	1,464	1,935	1,597	2,439	7,481	29,660	1,855	13	47,531
Personal and credit card	869	483	680	604	716	2,077	8,473	1,985	17,542	33,429
Business and government	8,159	2,790	2,806	2,621	3,214	5,052	8,637	2,443	1,928	37,650
Customers' liability under acceptances	5,996	862	101	–	–	–	–	–	–	6,959
Allowances for credit losses									(780)	(780)
	16,111	5,599	5,522	4,822	6,369	14,610	46,770	6,283	18,703	124,789
Other										
Derivative financial instruments	544	579	482	302	211	882	2,693	5,250	–	10,943
Due from clients, dealers and brokers(1)									235	235
Purchased receivables									1,553	1,553
Investments in associates and joint ventures									638	638
Premises and equipment									1,445	1,445
Goodwill									1,404	1,404
Intangible assets									1,142	1,142
Other assets	244	103	80	79	125	113	31	217	610	1,602
	788	682	562	381	336	995	2,724	5,467	7,027	18,962
	30,161	11,019	9,967	7,004	9,027	19,689	67,634	23,992	51,403	229,896

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

(millions of Canadian dollars)									As at July 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	712	1,444	2,238	2,722	1,807	4,192	7,717	1,023	27,634	49,489
Business and government	2,520	605	1,417	836	560	1,084	2,471	920	34,916	45,329
Deposit-taking institutions	2,812	220	307	13	26	–	–	–	1,338	4,716
Unsecured senior debt	7,874	2,701	2,117	2,977	1,197	5,467	5,623	3,417	–	31,373
Covered bonds	–	2,616	–	–	–	981	2,911	1,460	–	7,968
	13,918	7,586	6,079	6,548	3,590	11,724	18,722	6,820	63,888	138,875
Other										
Acceptances	5,996	862	101	–	–	–	–	–	–	6,959
Obligations related to securities sold short(3)	163	13	23	3	9	555	3,633	5,441	2,908	12,748
Obligations related to securities sold under repurchase agreements and securities loaned	12,952	3,771	2,411	3,473	–	–	–	–	941	23,548
Derivative financial instruments	563	611	683	276	177	742	1,637	3,279	–	7,968
Due to clients, dealers and brokers(1)									2,595	2,595
Liabilities related to transferred receivables(4)	–	113	1,163	307	1,136	3,074	9,426	4,341	–	19,560
Securitization – Credit card(5)	–	–	424	–	–	–	873	–	–	1,297
Other liabilities – Other items(1)(5)	387	22	202	65	106	38	59	182	2,254	3,315
	20,061	5,392	5,007	4,124	1,428	4,409	15,628	13,243	8,698	77,990
Subordinated debt	–	–	–	1,005	–	–	–	9	–	1,014
Equity									12,017	12,017
	33,979	12,978	11,086	11,677	5,018	16,133	34,350	20,072	84,603	229,896
Off-balance-sheet commitments										
Letters of guarantee and documentary letters of credit	7	128	634	335	403	1,314	714	226	–	3,761
Credit card receivables(6)									7,115	7,115
Backstop liquidity and credit enhancement facilities(7)	–	1,662	2,096	2,273	15	–	–	–	–	6,046
Commitments to extend credit(8)	877	1,405	1,325	1,119	1,965	8,307	10,116	790	22,509	48,413
Lease commitments and other contracts	75	147	217	213	209	736	1,173	826	–	3,596
Other guarantee	–	–	–	–	–	–	–	–	27	27

(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 a payment must be made on one of the backstop liquidity facilities, the Bank will receive government bonds as collateral, up to $2.3 billion.
(8) These amounts include $21.5 billion that is unconditionally revocable at the Bank's discretion at any time.

(millions of Canadian dollars)										As at October 31, 2015
	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	5,317	14	–	–	–	–	–	–	2,236	7,567
Securities										
At fair value through profit or loss	587	673	701	1,351	757	5,473	7,992	6,706	17,757	41,997
Available-for-sale	1	356	92	147	37	527	6,846	5,519	518	14,043
	588	1,029	793	1,498	794	6,000	14,838	12,225	18,275	56,040
Securities purchased under reverse repurchase agreements and securities borrowed	6,280	4,036	4,345	25	312	1,185	–	–	1,519	17,702
Loans and acceptances(1)										
Residential mortgage	1,125	1,343	2,121	3,072	2,291	6,896	25,523	872	277	43,520
Personal and credit card	336	410	743	907	750	1,795	7,334	1,844	17,814	31,933
Business and government	3,767	1,609	1,719	2,143	1,479	2,558	7,269	2,127	8,283	30,954
Customers' liability under acceptances	7,896	919	585	–	–	–	–	–	–	9,400
Allowances for credit losses									(569)	(569)
	13,124	4,281	5,168	6,122	4,520	11,249	40,126	4,843	25,805	115,238
Other										
Derivative financial instruments	520	682	550	606	208	831	2,627	4,818	–	10,842
Due from clients, dealers and brokers(1)									415	415
Purchased receivables									1,438	1,438
Investments in associates and joint ventures									831	831
Premises and equipment									1,817	1,817
Goodwill									1,277	1,277
Intangible assets									1,059	1,059
Other assets	235	226	216	118	92	110	71	–	796	1,864
	755	908	766	724	300	941	2,698	4,818	7,633	19,543
	26,064	10,268	11,072	8,369	5,926	19,375	57,662	21,886	55,468	216,090

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

(millions of Canadian dollars) As at October 31, 2015

	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	1,063	1,103	1,920	1,170	1,451	5,304	7,333	910	25,727	45,981
Business and government	1,463	341	423	337	62	625	1,318	879	32,331	37,779
Deposit-taking institutions	4,814	344	13	1	2	2	4	–	1,458	6,638
Unsecured senior debt	4,676	3,772	6,595	2,874	559	4,610	5,091	2,345	–	30,522
Covered bonds	–	–	–	–	2,636	–	2,419	2,855	–	7,910
	12,016	5,560	8,951	4,382	4,710	10,541	16,165	6,989	59,516	128,830
Other										
Acceptances	7,896	919	585	–	–	–	–	–	–	9,400
Obligations related to securities sold short(3)	340	1,270	207	65	327	1,521	4,579	5,933	3,091	17,333
Obligations related to securities sold under repurchase agreements and securities loaned	5,875	736	4,733	–	–	840	–	–	1,595	13,779
Derivative financial instruments	527	748	646	418	153	886	1,825	2,553	–	7,756
Due to clients, dealers and brokers(1)									1,871	1,871
Liabilities related to transferred receivables(4)	15	1,129	28	1,163	80	3,145	9,083	5,127	–	19,770
Securitization – Credit card(5)	–	–	–	–	–	424	872	–	–	1,296
Other liabilities – Other items(1)(5)	442	191	133	60	74	57	368	185	1,668	3,178
	15,095	4,993	6,332	1,706	634	6,873	16,727	13,798	8,225	74,383
Subordinated debt	505	–	–	–	–	1,008	–	9	–	1,522
Equity									11,355	11,355
	27,616	10,553	15,283	6,088	5,344	18,422	32,892	20,796	79,096	216,090
Off-balance-sheet commitments										
Letters of guarantee and documentary letters of credit	6	426	120	410	371	664	864	212	–	3,073
Credit card receivables(6)									6,578	6,578
Backstop liquidity and credit enhancement facilities(7)	–	15	2,044	15	–	3,054	–	–	–	5,128
Commitments to extend credit(8)	544	1,481	802	1,793	2,246	8,046	9,215	648	20,770	45,545
Lease commitments and other contracts	76	150	221	214	208	735	1,158	812	–	3,574
Other guarantee	–	–	–	–	–	–	–	–	28	28

(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 a payment must be made on one of the backstop liquidity facilities, the Bank will receive government bonds as collateral, up to $1.8 billion.
(8) These amounts include $20.8 billion that is unconditionally revocable at the Bank's discretion at any time.

QUARTERLY FINANCIAL INFORMATION

(millions of Canadian dollars, except per share amounts)			2016				2015	2014	2015	2014
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Total	Total
Total revenues	**1,557**	1,425	1,289	1,405	1,510	1,421	1,410	1,364	5,746	5,464
Net income	**478**	210	261	347	453	404	415	330	1,619	1,538
Earnings per share ($)										
Basic	**1.32**	0.52	0.68	0.96	1.29	1.14	1.17	0.92	4.56	4.36
Diluted	**1.31**	0.52	0.67	0.95	1.28	1.13	1.16	0.91	4.51	4.32
Dividends per common share ($)	**0.55**	0.54	0.54	0.52	0.52	0.50	0.50	0.48	2.04	1.88
Return on common shareholders' equity (%)	**18.7**	7.7	9.5	13.6	18.8	17.6	17.8	14.3	16.9	17.9
Total assets	**229,896**	220,734	219,301	216,090	215,560	207,123	214,474	205,429		
Impaired loans, net	**251**	300	234	254	254	249	194	248		
Per common share ($)										
Book value	**28.39**	27.75	27.77	28.26	27.60	27.01	26.33	25.76		
Share price										
High	**46.65**	45.56	44.11	46.33	50.01	49.15	55.06	53.88		
Low	**40.98**	35.95	35.83	40.75	43.78	45.02	44.21	48.16		

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

CONSOLIDATED BALANCE SHEETS

(unaudited) (millions of Canadian dollars)

	As at July 31, 2016	As at October 31, 2015
Assets		
Cash and deposits with financial institutions	8,824	7,567
Securities (Notes 4 and 5)		
At fair value through profit or loss	45,527	41,997
Available-for-sale	14,156	14,043
Held-to-maturity	2,758	–
	62,441	56,040
Securities purchased under reverse repurchase agreements and securities borrowed	14,880	17,702
Loans (Note 6)		
Residential mortgage	47,531	43,520
Personal and credit card	33,429	31,933
Business and government	37,650	30,954
	118,610	106,407
Customers' liability under acceptances	6,959	9,400
Allowances for credit losses	(780)	(569)
	124,789	115,238
Other		
Derivative financial instruments	10,943	10,842
Due from clients, dealers and brokers	235	415
Purchased receivables	1,553	1,438
Investments in associates and joint ventures (Note 8)	638	831
Premises and equipment	1,445	1,817
Goodwill (Note 24)	1,404	1,277
Intangible assets	1,142	1,059
Other assets (Note 9)	1,602	1,864
	18,962	19,543
	229,896	216,090
Liabilities and equity		
Deposits (Notes 4 and 10)		
Personal	49,489	45,981
Business and government	83,590	74,441
Deposit-taking institutions	5,796	8,408
	138,875	128,830
Other		
Acceptances	6,959	9,400
Obligations related to securities sold short	12,748	17,333
Obligations related to securities sold under repurchase agreements and securities loaned	23,548	13,779
Derivative financial instruments	7,968	7,756
Due to clients, dealers and brokers	2,595	1,871
Liabilities related to transferred receivables (Notes 4 and 7)	19,560	19,770
Other liabilities (Note 11)	4,612	4,474
	77,990	74,383
Subordinated debt (Note 13)	1,014	1,522
Equity		
Equity attributable to the Bank's shareholders (Notes 15 and 19)		
Preferred shares	1,650	1,023
Common shares	2,592	2,614
Contributed surplus	71	67
Retained earnings	6,683	6,705
Accumulated other comprehensive income	217	145
	11,213	10,554
Non-controlling interests (Note 16)	804	801
	12,017	11,355
	229,896	216,090

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 July 31		Nine months ended July 31	
	2016	2015	**2016**	2015
Interest income				
Loans	**993**	903	**2,822**	2,684
Securities at fair value through profit or loss	**157**	174	**476**	521
Available-for-sale securities	**77**	65	**244**	209
Held-to-maturity securities	**8**	–	**11**	–
Deposits with financial institutions	**18**	7	**50**	20
	1,253	1,149	**3,603**	3,434
Interest expense				
Deposits	**358**	332	**1,040**	1,005
Liabilities related to transferred receivables	**100**	105	**304**	313
Subordinated debt	**9**	15	**25**	45
Other	**14**	25	**47**	84
	481	477	**1,416**	1,447
Net interest income	**772**	672	**2,187**	1,987
Non-interest income				
Underwriting and advisory fees	**116**	113	**285**	304
Securities brokerage commissions	**58**	66	**178**	214
Mutual fund revenues	**94**	84	**266**	238
Trust service revenues	**113**	113	**336**	331
Credit fees	**101**	99	**286**	275
Card revenues	**32**	36	**89**	100
Deposit and payment service charges	**67**	62	**190**	175
Trading revenues (losses) (Note 18)	**12**	62	**67**	179
Gains (losses) on available-for-sale securities, net	**18**	29	**58**	92
Insurance revenues, net	**31**	34	**85**	81
Foreign exchange revenues, other than trading	**19**	24	**62**	67
Share in the net income of associates and joint ventures	**6**	17	**13**	17
Other (Note 8)	**118**	99	**169**	281
	785	838	**2,084**	2,354
Total revenues	**1,557**	1,510	**4,271**	4,341
Provisions for credit losses (Note 6)	**45**	56	**425**	167
	1,512	1,454	**3,846**	4,174
Non-interest expenses				
Compensation and employee benefits	**556**	557	**1,605**	1,643
Occupancy	**60**	58	**174**	171
Technology	**137**	121	**405**	409
Communications	**16**	17	**51**	53
Professional fees	**66**	61	**193**	168
Other	**102**	92	**288**	261
	937	906	**2,716**	2,705
Income before income taxes	**575**	548	**1,130**	1,469
Income taxes	**97**	95	**181**	197
Net income	**478**	453	**949**	1,272
Net income attributable to				
Preferred shareholders	**14**	11	**41**	34
Common shareholders	**446**	425	**851**	1,187
Bank shareholders	**460**	436	**892**	1,221
Non-controlling interests	**18**	17	**57**	51
	478	453	**949**	1,272
Earnings per share *(dollars)* (Note 21)				
Basic	**1.32**	1.29	**2.52**	3.61
Diluted	**1.31**	1.28	**2.51**	3.56
Dividends per common share *(dollars)*	**0.55**	0.52	**1.63**	1.52

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 July 31		Nine months ended July 31	
	2016	2015	**2016**	2015
Net income	**478**	453	**949**	1,272
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	**54**	106	**24**	124
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)	**(33)**	(84)	**(16)**	(114)
Impact of hedging net foreign currency translation (gains) losses reclassified to net income	**–**	–	**5**	–
	21	22	**1**	10
Net change in available-for-sale securities				
Net unrealized gains (losses) on available-for-sale securities	**74**	(14)	**90**	46
Net (gains) losses on available-for-sale securities reclassified to net income	**(27)**	(22)	**(61)**	(84)
	47	(36)	**29**	(38)
Net change in cash flow hedges				
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**13**	(43)	**57**	(17)
Net (gains) losses on designated derivative financial instruments reclassified to net income	**(6)**	(3)	**(13)**	(9)
	7	(46)	**44**	(26)
Share in the other comprehensive income of associates and joint ventures	**–**	(1)	**1**	2
Items that will not be subsequently reclassified to net income				
Remeasurements of pension plans and other post-employment benefit plans	**(86)**	16	**(223)**	(6)
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**(4)**	–	**(44)**	–
	(90)	16	**(267)**	(6)
Total other comprehensive income, net of income taxes	**(15)**	(45)	**(192)**	(58)
Comprehensive income	**463**	408	**757**	1,214
Comprehensive income attributable to				
Bank shareholders	**442**	382	**697**	1,160
Non-controlling interests	**21**	26	**60**	54
	463	408	**757**	1,214

INCOME TAXES – OTHER COMPREHENSIVE INCOME

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

	Quarter ended July 31		Nine months ended July 31	
	2016	2015	**2016**	2015
Net foreign currency translation adjustments				
Net unrealized foreign currency translation gains (losses) on investments in foreign operations	**1**	4	**2**	6
Net foreign currency translation (gains) losses on investments in foreign operations reclassified to net income	**–**	–	**(2)**	–
Impact of hedging net foreign currency translation gains (losses)	**(6)**	(20)	**(7)**	(20)
Impact of hedging net foreign currency translation (gains) losses reclassified to net income	**–**	–	**2**	–
	(5)	(16)	**(5)**	(14)
Net change in available-for-sale securities				
Net unrealized gains (losses) on available-for-sale securities	**27**	(4)	**33**	19
Net (gains) losses on available-for-sale securities reclassified to net income	**(10)**	(8)	**(22)**	(31)
	17	(12)	**11**	(12)
Net change in cash flow hedges				
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**4**	(16)	**20**	(7)
Net (gains) losses on designated derivative financial instruments reclassified to net income	**(1)**	(1)	**(4)**	(3)
	3	(17)	**16**	(10)
Remeasurements of pension plans and other post-employment benefit plans	**(31)**	5	**(81)**	(3)
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**(2)**	–	**(16)**	–
	(18)	(40)	**(75)**	(39)

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)

	Nine months ended July 31	
	2016	2015
Preferred shares at beginning (Note 15)	1,023	1,223
Issuance of Series 34 and 36 preferred shares	800	–
Redemption of Series 16 and 20 preferred shares for cancellation	(173)	(200)
Preferred shares at end	1,650	1,023
Common shares at beginning	2,614	2,293
Issuances of common shares		
Stock Option Plan	31	35
Impact of shares purchased or sold for trading	(53)	(15)
Common shares at end	2,592	2,313
Contributed surplus at beginning	67	52
Stock option expense (Note 19)	9	15
Stock options exercised	(4)	(4)
Other	(1)	(1)
Contributed surplus at end	71	62
Retained earnings at beginning	6,705	5,850
Net income attributable to the Bank's shareholders	892	1,221
Dividends (Note 15)		
Preferred shares	(38)	(34)
Common shares	(550)	(501)
Premium paid on preferred shares redeemed for cancellation	(3)	–
Share issuance expenses	(11)	–
Remeasurements of pension plans and other post-employment benefit plans	(223)	(6)
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	(44)	–
Impact of a financial liability resulting from put options written to non-controlling interests	(45)	(30)
Retained earnings at end	6,683	6,500
Accumulated other comprehensive income at beginning	145	289
Net foreign currency translation adjustments	1	10
Net change in unrealized gains (losses) on available-for-sale securities	29	(38)
Net change in gains (losses) on cash flow hedges	41	(29)
Share in the other comprehensive income of associates and joint ventures	1	2
Accumulated other comprehensive income at end	217	234
Equity attributable to the Bank's shareholders	11,213	10,132
Non-controlling interests at beginning	801	795
Net income attributable to non-controlling interests	57	51
Other comprehensive income attributable to non-controlling interests	3	3
Distributions to non-controlling interests	(57)	(65)
Non-controlling interests at end	804	784
Equity	12,017	10,916

ACCUMULATED OTHER COMPREHENSIVE INCOME

	As at July 31, 2016	As at July 31, 2015
Accumulated other comprehensive income		
Net foreign currency translation adjustments	5	7
Net unrealized gains (losses) on available-for-sale securities	41	130
Net gains (losses) on instruments designated as cash flow hedges	165	94
Share in the other comprehensive income of associates and joint ventures	6	3
	217	234

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)

	Nine months ended July 31	
	2016	2015
Cash flows from operating activities		
Net income	**949**	1,272
Adjustments for		
Provisions for credit losses	**425**	167
Amortization of premises and equipment and intangible assets	**312**	196
Impairment losses on intangible assets	**–**	46
Write-off of an equity interest in an associate (Note 8)	**164**	–
Gain on the revaluation of the previously held equity interest in Advanced Bank of Asia Limited (Note 24)	**(41)**	–
Gain on the disposal of shares of Fiera Capital Corporation	**–**	(34)
Deferred taxes	**(74)**	21
Translation adjustment on foreign currency denominated subordinated debt	**–**	1
Losses (gains) on sales of available-for-sale securities, net	**(62)**	(104)
Impairment losses on available-for-sale securities	**4**	12
Share in the net income of associates and joint ventures	**(13)**	(17)
Stock option expense	**9**	15
Change in operating assets and liabilities		
Securities at fair value through profit or loss	**(3,530)**	532
Securities purchased under reverse repurchase agreements and securities borrowed	**2,822**	5,112
Loans, net of securitization	**(11,873)**	(4,599)
Deposits	**9,076**	7,723
Obligations related to securities sold short	**(4,585)**	(1,124)
Obligations related to securities sold under repurchase agreements and securities loaned	**9,769**	(2,083)
Derivative financial instruments, net	**111**	(1,491)
Due from and to clients, dealers and brokers, net	**904**	160
Purchased receivables	**(115)**	(579)
Interest and dividends receivable and interest payable	**(31)**	(37)
Current tax assets and liabilities	**160**	(120)
Other items	**79**	(1,654)
	4,460	3,415
Cash flows from financing activities		
Issuance of preferred shares	**800**	–
Redemption of preferred shares for cancellation	**(176)**	(200)
Issuance of common shares, net of the impact of shares purchased for trading	**(26)**	16
Redemption of subordinated debt	**(500)**	(350)
Share issuance expenses	**(11)**	–
Dividends paid	**(585)**	(534)
Distributions to non-controlling interests	**(57)**	(65)
	(555)	(1,133)
Cash flows from investing activities		
Acquisition of Advanced Bank of Asia Limited (Note 24)	**(119)**	–
Disposal of shares of Fiera Capital Corporation	**–**	114
Acquisition of an equity interest in NSIA Participations	**–**	(116)
Purchases of available-for-sale securities	**(4,967)**	(6,921)
Maturities of available-for-sale securities	**601**	489
Sales of available-for-sale securities	**4,647**	3,617
Purchases of held-to-maturity securities	**(2,755)**	–
Net change in tangible assets leased under operating leases	**276**	(1,551)
Net change in premises and equipment	**(108)**	(73)
Net change in intangible assets	**(186)**	(171)
	(2,611)	(4,612)
Impact of currency rate movements on cash and cash equivalents	**(37)**	800
Increase (decrease) in cash and cash equivalents	**1,257**	(1,530)
Cash and cash equivalents at beginning	**7,567**	8,086
Cash and cash equivalents at end(1)	**8,824**	6,556
Supplementary information about cash flows from operating activities		
Interest paid	**1,478**	1,574
Interest and dividends received	**3,633**	3,493
Income taxes paid	**215**	208

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 $1.2 billion as at July 31, 2016 ($1.3 billion as at October 31, 2015) for which there are restrictions. In addition, $3 million was held in escrow as at July 31, 2016 ($3 million as at October 31, 2015).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) (millions of Canadian dollars)

NOTE 1 – BASIS OF PRESENTATION

On August 30, 2016, 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 July 31, 2016.

The Bank's consolidated financial statements are prepared in accordance 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 financial statements are to be prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). 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, 2015, except the changes described in Note 2. Future accounting policy changes are also presented in Note 2. 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, 2015.

As at November 1, 2015, the Bank reclassified certain amounts in the Consolidated Statement of Income to better reflect the nature of reported revenues in the Personal and Commercial segment. Accordingly, for the quarter ended July 31, 2015, an amount of $11 million presented in the *Non-interest income – Credit fees* item was reclassified to *Net interest income* ($30 million for the nine-month period ended July 31, 2015). This reclassification had no impact on *Net income*.

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

NOTE 2 – CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Accounting Policy Changes

IFRS 9 – *Financial Instruments (own credit risk)*

On February 1, 2016, the Bank early adopted, on a prospective basis, the own credit risk provisions set out in IFRS 9 – *Financial Instruments*. According to these provisions, changes in the fair value of financial liabilities designated at fair value through profit or loss that are attributable to changes in an entity's own credit risk must be recognized in *Other comprehensive income* unless these changes offset the amounts recognized in *Net income*. Fair value changes not attributable to an entity's own risk continue to be recognized in *Non-interest income* in the Consolidated Statement of Income. The amounts recognized in *Other comprehensive income* will not be subsequently reclassified to *Net income.* For the interim and annual periods prior to February 1, 2016, changes in the fair value of financial liabilities designated at fair value through profit or loss had been recognized in *Non-interest income* in the Consolidated Statement of Income.

Held-to-Maturity Securities

During the quarters ended April 30, 2016 and July 31, 2016, the Bank classified securities in the held-to-maturity category. Held-to-maturity securities are financial assets with fixed or determinable payments and a fixed maturity that the Bank intends and is able to hold until maturity. The Bank accounts for held-to-maturity securities transactions on the trade date, and the related transaction costs are capitalized. These securities are initially recognized at fair value. In subsequent periods, they are recognized at amortized cost using the effective interest rate method, less any impairment loss measured using the same impairment model used for loans. Interest income and the amortization of premiums and discounts on these securities are recognized in *Net interest income* in the Consolidated Statement of Income.

Accounting Estimate Changes

Impairment of Available-for-Sale Securities

During the quarter ended January 31, 2016, following an assessment of market conditions, the Bank revisited the definition of the terms "significant" and "prolonged" in order to provide a better estimate of impairment losses, when applicable, on the equity securities classified in available-for-sale securities. As defined in Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2015, the term "significant" represents a decline in fair value of more than 30% over a consecutive period of at least six months, and the term "prolonged" represents a decline in fair value of more than 5% over a consecutive period of at least 12 months. Considering the facts and circumstances, the definitions were changed to the following: a decline in fair value of more than 40% over a consecutive period of at least six months for the term "significant" and a decline in fair value of more than 5% over a consecutive period of at least 18 months for the term "prolonged." This change in definitions, effective November 1, 2015, is considered a change in accounting estimate and is therefore applied prospectively. This change had the effect of decreasing the impairment losses on the equity securities classified in available-for-sale securities from $9 million to $3 million for the quarter ended January 31, 2016.

Sectoral Provision on Non-Impaired Loans

During the quarter ended April 30, 2016, following a significant increase in the credit risk of a group of loans of a specific industry, the Bank recorded a sectoral provision on non-impaired loans. When the credit risk of a loan portfolio with similar credit risk characteristics or of a group of loans of a specific industry increases significantly but the loans have yet to be individually identified as impaired, a sectoral provision is established collectively for the entire loan portfolio or loan group. This sectoral provision reflects the impairment losses that the Bank has incurred as a result of events that have occurred but where the individual loss has not been identified.

NOTE 2 – CHANGES IN ACCOUNTING POLICIES AND ESTIMATES (cont.)

Future Accounting Policy Changes

The Bank is currently assessing the impact that the adoption of the following standards will have on its consolidated financial statements.

Effective Date – Early Adoption on November 1, 2017
IFRS 9 – *Financial Instruments*
In July 2014, the IASB issued a complete and final version of IFRS 9, which replaces the current standard on financial instruments. IFRS 9 sets out requirements for the classification and measurement of financial assets and financial liabilities, for the impairment of financial assets, and for general hedge accounting. Macro hedge accounting has been decoupled from IFRS 9 and will be considered and issued as a separate standard. IFRS 9 provides a single model for financial asset classification and measurement that is based on contractual cash flow characteristics and on the business model for holding financial assets.

IFRS 9 also introduces a new, single impairment model for financial assets not measured at fair value through profit or loss that requires recognition of expected credit losses rather than incurred losses as applied under the current standard. This model requires the recognition of 12-month expected credit losses as of the initial recognition date of a financial asset and recognition of lifetime expected losses if the financial instrument's credit risk has increased significantly since initial recognition. In December 2015, the Basel Committee on Banking Supervision issued *Guidance on Credit Risk and Accounting for Expected Credit Losses*. In June 2016, OSFI issued the final guideline on *IFRS 9 Financial Instruments and Disclosures*, setting out its expectations regarding IFRS 9 application.

As for the new hedge accounting model, it provides better alignment of hedge accounting with risk management activities. However, the current hedge accounting requirements may continue to be applied until the IASB finalizes its macro hedge accounting project.

The IASB is requiring IFRS 9 to be applied as of November 1, 2018 and is permitting early adoption. On January 9, 2015, OSFI issued a final version of *Early Adoption of IFRS 9 Financial Instruments for Domestic Systemically Important Banks*, stating, however, that it expects Domestic Systemically Important Banks, a group that includes the Bank, to adopt IFRS 9 as of November 1, 2017. In general, IFRS 9 is to be applied retrospectively.

The Bank will therefore adopt the IFRS 9 provisions as of November 1, 2017. Its first financial statements presented in accordance with these provisions will be its unaudited interim condensed consolidated financial statements for the quarter ending January 31, 2018 and will include an opening consolidated balance sheet as at November 1, 2017.

In preparation for the adoption of IFRS 9, the Bank has established an enterprise-wide project, assembled a dedicated team, and established a formal governance structure. It has started implementing a detailed project plan comprising key activities and a corresponding schedule. The project is proceeding according to schedule. As interpretations of the new standard are still evolving, the Bank continues to monitor the interpretations and revisit its preliminary conclusions.

Effective Date – November 1, 2018
IFRS 15 – *Revenue from Contracts with Customers*
In May 2014, the IASB issued a new standard, IFRS 15, which replaces the current revenue recognition standards and interpretations. IFRS 15 provides a single comprehensive model to use when accounting for revenue arising from contracts with customers. The new model applies to all contracts with customers except those that are within the scope of other IFRS standards such as leases, insurance contracts and financial instruments. IFRS 15 is to be applied retrospectively.

At its meeting on July 22, 2015, the IASB unanimously confirmed its proposal to defer the effective date of IFRS 15 to fiscal years beginning on or after January 1, 2018. Early application is still permitted.

Effective Date – November 1, 2019
IFRS 16 – *Leases*
In January 2016, the IASB issued a new standard, IFRS 16 – *Leases*. The new standard requires lessees to recognize most leases on the balance sheet using a single model, thereby eliminating the distinction between operating and finance leases. Lessor accounting, however, remains similar to current accounting practice, and the distinction between operating and finance leases is retained. Early application is permitted if IFRS 15 – *Revenue from Contracts with Customers* has also been applied.

(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 July 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	–	–	–	8,824	8,824	8,824	8,824
Securities	43,867	1,660	14,156	2,758	2,804	62,441	62,487
Securities purchased under reverse repurchase agreements and securities borrowed	–	460	–	14,420	14,420	14,880	14,880
Loans and acceptances	5,871	134	–	118,784	119,699	124,789	125,704
Other							
Derivative financial instruments	10,943	–	–	–	–	10,943	10,943
Due from clients, dealers and brokers	–	–	–	235	235	235	235
Purchased receivables	–	–	–	1,553	1,553	1,553	1,553
Other assets	–	–	–	428	428	428	428
Financial liabilities							
Deposits	–	4,133		134,742 (1)	135,622	138,875	139,755
Other							
Acceptances	–	–		6,959	6,959	6,959	6,959
Obligations related to securities sold short	12,748	–		–	–	12,748	12,748
Obligations related to securities sold under repurchase agreements and securities loaned	–	–		23,548	23,548	23,548	23,548
Derivative financial instruments	7,968	–		–	–	7,968	7,968
Due to clients, dealers and brokers	–	–		2,595	2,595	2,595	2,595
Liabilities related to transferred receivables	–	6,097		13,463	13,505	19,560	19,602
Other liabilities	44	–		2,287	2,301	2,331	2,345
Subordinated debt	–	–		1,014	1,014	1,014	1,014

(1) Including embedded derivative financial instruments.

(unaudited) (millions of Canadian dollars)

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

As at October 31, 2015

	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	–	–	–	7,567	7,567	7,567	7,567
Securities	39,753	2,244	14,043	–	–	56,040	56,040
Securities purchased under reverse repurchase agreements and securities borrowed	–	295	–	17,407	17,407	17,702	17,702
Loans and acceptances	4,413	152	–	110,673	111,407	115,238	115,972
Other							
Derivative financial instruments	10,842	–	–	–	–	10,842	10,842
Due from clients, dealers and brokers	–	–	–	415	415	415	415
Purchased receivables	–	–	–	1,438	1,438	1,438	1,438
Other assets	–	–	–	459	459	459	459
Financial liabilities							
Deposits	–	3,053		125,777 (1)	126,247	128,830	129,300
Other							
Acceptances	–	–		9,400	9,400	9,400	9,400
Obligations related to securities sold short	17,333	–		–	–	17,333	17,333
Obligations related to securities sold under repurchase agreements and securities loaned	–	–		13,779	13,779	13,779	13,779
Derivative financial instruments	7,756	–		–	–	7,756	7,756
Due to clients, dealers and brokers	–	–		1,871	1,871	1,871	1,871
Liabilities related to transferred receivables	–	6,402		13,368	13,427	19,770	19,829
Other liabilities	50	–		2,227	2,227	2,277	2,277
Subordinated debt	–	–		1,522	1,526	1,522	1,526

(1) 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, 2015. 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)

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, 2015.

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 July 31, 2016, $126 million in securities classified as at fair value through profit or loss and $20 million in obligations related to securities sold short were transferred from Level 2 to Level 1 resulting from changing market conditions ($42 million in securities classified as at fair value through profit or loss and no significant transfer of obligations related to securities sold short for the quarter ended July 31, 2015). During the nine months ended July 31, 2016, $208 million in securities classified as at fair value through profit or loss and $66 million in obligations related to securities sold short were transferred from Level 2 to Level 1 resulting from changing market conditions ($112 million in securities classified as at fair value through profit or loss and no significant transfer of obligations related to securities sold short for the nine months ended July 31, 2015). In addition, during the nine-month periods ended July 31, 2016 and 2015, other 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 July 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				
Canada	3,197	5,148	–	8,345
Provinces	–	9,935	–	9,935
Municipalities and school boards	–	297	–	297
U.S. Treasury, other U.S. agencies and other foreign governments	2,317	440	–	2,757
Other debt securities	–	2,985	–	2,985
Equity securities	20,289	882	37	21,208
	25,803	19,687	37	45,527
Available-for-sale				
Securities issued or guaranteed by				
Canada	213	6,030	–	6,243
Provinces	–	4,718	–	4,718
Municipalities and school boards	–	389	–	389
U.S. Treasury, other U.S. agencies and other foreign governments	1,119	27	–	1,146
Other debt securities	–	992	31	1,023
Equity securities	209	158	270	637
	1,541	12,314	301	14,156
Securities purchased under reverse repurchase agreements and securities borrowed	–	460	–	460
Loans and acceptances	–	6,005	–	6,005
Other				
Derivative financial instruments	125	10,680	138	10,943
	27,469	49,146	476	77,091
Financial liabilities				
Deposits	–	4,507	11	4,518
Other				
Obligations related to securities sold short	6,432	6,316	–	12,748
Derivative financial instruments	136	7,705	127	7,968
Liabilities related to transferred receivables	–	6,097	–	6,097
Other liabilities	–	44	–	44
	6,568	24,669	138	31,375

(unaudited) (millions of Canadian dollars)

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

As at October 31, 2015

	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				
Canada	1,969	6,647	–	8,616
Provinces	–	10,359	–	10,359
Municipalities and school boards	–	789	–	789
U.S. Treasury, other U.S. agencies and other foreign governments	326	866	–	1,192
Other debt securities	–	3,264	–	3,264
Equity securities	17,145	611	21	17,777
	19,440	22,536	21	41,997
Available-for-sale				
Securities issued or guaranteed by				
Canada	283	6,184	–	6,467
Provinces	–	4,676	–	4,676
Municipalities and school boards	–	428	–	428
U.S. Treasury, other U.S. agencies and other foreign governments	904	25	–	929
Other debt securities	–	913	30	943
Equity securities	225	144	231	600
	1,412	12,370	261	14,043
Securities purchased under reverse repurchase agreements and securities borrowed	–	295	–	295
Loans and acceptances	–	4,565	–	4,565
Other				
Derivative financial instruments	95	10,730	17	10,842
	20,947	50,496	299	71,742
Financial liabilities				
Deposits	–	3,184	20	3,204
Other				
Obligations related to securities sold short	11,456	5,877	–	17,333
Derivative financial instruments	42	7,659	55	7,756
Liabilities related to transferred receivables	–	6,402	–	6,402
Other liabilities	–	50	–	50
	11,498	23,172	75	34,745

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.

Valuation Techniques Applied to Financial Instruments Classified in Level 3

Other Restructured Notes of the Master Asset Vehicle (MAV) I and MAV II Conduits

The fair value of these financial instruments is determined based on the net asset value, which represents the estimated value of a security based on valuations received from the administrator of the conduits.

Equity Securities and Other Debt Securities

The fair value of these financial instruments is determined primarily based on the net asset value, which represents the estimated value of a security based on valuations received from investment or fund managers or the general partners of the limited partnerships. Fair value can also be determined using internal valuation techniques adjusted for risk factors related to the financial instruments and for economic conditions.

(unaudited) (millions of Canadian dollars)

Derivative Financial Instruments

To determine the fair value of over-the-counter (OTC) derivative financial instruments, the Bank uses well-established valuation techniques that incorporate assumptions based primarily on observable market inputs such as current market prices and the contractual prices of the underlying instruments, the time value of money, interest rate yield curves, credit curves, currency rates as well as price and rate volatility factors. The Bank also includes the Credit Valuation Adjustment (CVA), the Debit Valuation Adjustment (DVA) and the Funding Valuation Adjustment (FVA).

Structured Deposit Notes

The fair value of structured deposit notes is established using valuation models that maximize the use of observable inputs when available, such as benchmark indices, and also incorporates the DVA. When fair value is determined using option pricing models, the valuation techniques are similar to those described for derivative financial instruments.

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 July 31, 2016
				Range of input values	
	Fair value	Primary valuation techniques	Significant unobservable inputs	**Low**	**High**
Financial assets					
Securities					
Other restructured notes of the MAV I and MAV II conduits	6	Net asset value	Net asset value		100 %
Equity securities and other debt securities	332	Net asset value	Net asset value		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 %
Equity contracts	136	Option pricing model	Long-term volatility	8 %	57 %
			Market correlation	(59) %	86 %
	476				
Financial liabilities					
Deposits					
Structured deposit notes	11	Option pricing model	Long-term volatility	10 %	57 %
			Market correlation	(57) %	86 %
Other					
Derivative financial instruments					
Equity contracts	127	Option pricing model	Long-term volatility	8 %	55 %
			Market correlation	(59) %	86 %
	138				

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

(unaudited) (millions of Canadian dollars)

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

As at October 31, 2015

	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	7	Net asset value	Net asset value		100 %
Equity securities and other debt securities	275	Discounted cash flows	Credit spread	425 Bps[1]	445 Bps[1]
		Net asset value	Net asset value		100 %
		Market comparable	EV/EBITDA[2] multiple	4.2 x	13 x
		Price-based model	Price equivalent	80 %	95 %
Other					
Derivative financial instruments					
Interest rate contracts	2	Discounted cash flows	Discount rate		2.20 %
Equity contracts	15	Option pricing model	Long-term volatility	9 %	49 %
			Market correlation	(50) %	77 %
	299				
Financial liabilities					
Deposits					
Structured deposit notes	20	Option pricing model	Long-term volatility	10 %	59 %
			Market correlation	(51) %	85 %
Other					
Derivative financial instruments					
Equity contracts	55	Option pricing model	Long-term volatility	9 %	67 %
			Market correlation	(50) %	85 %
	75				

(1) Bps or basis point is a unit of measure equal to 0.01%.
(2) EV/EBITDA means Enterprise Value/Earnings Before Interest, Taxes, Depreciation and Amortization.

Significant Unobservable Inputs Used for Fair Value Measurements of Financial Instruments Classified in Level 3

Net Asset Value

Net asset value is the estimated value of a security based on valuations received from the investment or fund managers, the administrators of the conduits or the general partners of the limited partnerships. The net asset value of a fund is the total fair value of assets less liabilities.

Credit Spread

Credit spread is the difference between a benchmark interest rate and the interest rate required by market participants to accept the lower credit quality of the measured financial asset. The interest rate on certain government bonds with a high credit rating and a maturity similar to the measured asset can often be considered a benchmark interest rate. An increase (decrease) in this unobservable input generally results in a decrease (increase) in fair value.

EV/EBITDA (Enterprise Value/Earnings Before Interest, Taxes, Depreciation and Amortization) Multiple and Price Equivalent

Private equity valuation inputs include earnings multiples, which are determined based on comparable companies, and a higher multiple will translate into a higher fair value. Price equivalent is a percentage of the market price based on the liquidity of the security.

Discount Rate

When discounted cash flow methods are used, the discount rate is the input used to bring future cash flows to their present value. A higher discount rate will translate into a lower fair value.

Long-Term Volatility

Volatility is a measure of the expected future variability of market prices. Volatility is generally observable in the market through options prices. However, the long-term volatility of options with a longer maturity might not be observable. An increase (decrease) in long-term volatility is generally associated with an increase (decrease) in long-term correlation. Higher long-term volatility may increase or decrease an instrument's fair value depending on its terms.

Market Correlation

Correlation is a measure of the inter-relationship between two different variables. A positive correlation means that the variables tend to move in the same direction; a negative correlation means that the variables tend to move in opposite directions. Correlation is used to measure financial instruments whose future returns depend on several variables. Changes in correlation will either increase or decrease a financial instrument's fair value depending on the terms of its contractual payout.

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 the other restructured notes of the MAV I and MAV II conduits classified in Level 3, the most significant input used to determine fair value is net asset value. As at July 31, 2016 and as at October 31, 2015, the Bank varies the values used within a range that could result in a less-than $1 million increase or decrease in fair value.

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 $44 million increase or decrease in the fair value recorded as at July 31, 2016 (a $36 million increase or decrease as at October 31, 2015).

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 July 31, 2016, for derivative financial instruments, the net fair value could result in a $4 million increase or decrease ($11 million increase or decrease as at October 31, 2015), whereas for structured deposit notes, fair value could result in a less-than $1 million increase or decrease ($4 million increase or decrease as at October 31, 2015).

(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.

				Nine months ended July 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*[2]	**6**	**7**	**(28)**	**9**
Total realized and unrealized gains (losses) included in *Other comprehensive income*	**–**	**8**	**–**	**–**
Purchases	**18**	**42**	**–**	**–**
Sales	**(8)**	**(10)**	**–**	**–**
Issuances	**–**	**–**	**–**	**(7)**
Settlements and other	**–**	**(8)**	**15**	**4**
Financial instruments transferred into Level 3	**–**	**1**	**68**	**(32)**
Financial instruments transferred out of Level 3	**–**	**–**	**(6)**	**35**
Fair value as at July 31, 2016	**37**	**301**	**11**	**(11)**
Change in unrealized gains and losses included in *Net income* with respect to financial assets and financial liabilities held as at July 31, 2016[3]	**(2)**	**–**	**(28)**	**9**

				Nine months ended July 31, 2015
	Securities at fair value through profit or loss	Available-for-sale securities	Derivative financial instruments[1]	Deposits
Fair value as at October 31, 2014	1,223	237	(39)	(81)
Total realized and unrealized gains (losses) included in *Net income*[4]	56	62	(17)	(7)
Total realized and unrealized gains (losses) included in *Other comprehensive income*	–	(37)	–	–
Purchases	3	76	–	–
Sales	(33)	(98)	–	–
Issuances	–	–	–	(12)
Settlements and other	(585)	(4)	1	–
Financial instruments transferred into Level 3	–	–	(1)	(5)
Financial instruments transferred out of Level 3	–	–	–	85
Fair value as at July 31, 2015	664	236	(56)	(20)
Change in unrealized gains and losses included in *Net income* with respect to financial assets and financial liabilities held as at July 31, 2015[5]	37	–	(17)	(7)

(1) The derivative financial instruments include assets and liabilities presented on a net basis.
(2) Total net losses included in *Non-interest income* was $6 million.
(3) Total unrealized losses included in *Non-interest income* was $21 million.
(4) Total net gains included in *Non-interest income* was $94 million.
(5) Total unrealized gains included in *Non-interest income* was $13 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, 2015. 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 hybrid financial instruments with one or more embedded derivatives, such as restructured notes of the MAV conduits, certain deposits, 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 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 July 31, 2016	**Change in total fair value (including the change in the fair value attributable to credit risk) for the quarter ended July 31, 2016**	**Change in total fair value (including the change in the fair value attributable to credit risk) for the nine months ended July 31, 2016**	**Change in fair value since the initial recognition of the instrument**
Financial assets designated at fair value through profit or loss				
Securities	1,660	17	22	342
Securities purchased under reverse repurchase agreements	460	–	–	–
Loans	134	17	(5)	(24)
	2,254	34	17	318
Financial liabilities designated at fair value through profit or loss				
Deposits[(1)(2)]	4,133	(73)	(114)	(33)
Liabilities related to transferred receivables	6,097	(17)	12	(235)
	10,230	(90)	(102)	(268)

	Carrying value as at July 31, 2015	Change in total fair value (including the change in the fair value attributable to credit risk) for the quarter ended July 31, 2015	Change in total fair value (including the change in the fair value attributable to credit risk) for the nine months ended July 31, 2015	Change in fair value since the initial recognition of the instrument
Financial assets designated at fair value through profit or loss				
Securities	2,213	26	58	348
Securities purchased under reverse repurchase agreements	664	–	–	–
Loans	149	5	(18)	(23)
	3,026	31	40	325
Financial liabilities designated at fair value through profit or loss				
Deposits[(1)(2)]	3,009	61	(3)	(133)
Liabilities related to transferred receivables	5,977	(39)	(104)	(278)
	8,986	22	(107)	(411)

(1) For the quarter ended July 31, 2016, 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 $6 million ($9 million gain recorded in *Non-interest income* in the Consolidated Statement of Income for the quarter ended July 31, 2015). For the nine months ended July 31, 2016, this change was a loss of $45 million, which included a gain of $15 million recorded in *Net income* ($9 million gain recorded in *Net income* for the nine months ended July 31, 2015). For additional information, see Note 2.

(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 July 31, 2016
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value
Securities issued or guaranteed by				
Canada	6,153	93	(3)	6,243
Provinces	4,363	373	(18)	4,718
Municipalities and school boards	367	22	–	389
U.S. Treasury, other U.S. agencies and other foreign governments	1,123	23	–	1,146
Other debt securities	993	32	(2)	1,023
Equity securities	599	90	(52)	637
	13,598	633	(75)	14,156

				As at October 31, 2015
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value
Securities issued or guaranteed by				
Canada	6,423	62	(18)	6,467
Provinces	4,475	231	(30)	4,676
Municipalities and school boards	414	15	(1)	428
U.S. Treasury, other U.S. agencies and other foreign governments	929	2	(2)	929
Other debt securities	937	15	(9)	943
Equity securities	569	78	(47)	600
	13,747	403	(107)	14,043

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 July 31, 2016, no impairment loss ($3 million for the quarter ended July 31, 2015) was recognized in *Gains (losses) on available-for-sale securities, net* in the Consolidated Statement of Income. For the nine months ended July 31, 2016, impairment losses amounted to $4 million ($12 million for the nine months ended July 31, 2015). In addition, during the nine-month periods ended July 31, 2016 and 2015, no amount was 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 July 31, 2016 and as at October 31, 2015, 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.

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 July 31, 2016, there was no objective evidence of impairment on held-to-maturity securities.

(unaudited) (millions of Canadian dollars)

NOTE 6 – LOANS

Credit Quality of Loans

	As at July 31, 2016			
	Residential mortgage	**Personal and credit card**	**Business and government[1][2]**	**Total**
Neither past due[3] nor impaired	**47,238**	**33,059**	**44,191**	**124,488**
Past due[3] but not impaired	**218**	**295**	**116**	**629**
Impaired	**75**	**75**	**302**	**452**
Gross loans	**47,531**	**33,429**	**44,609**	**125,569**
Less: Allowances on impaired loans				
Individual allowances	**12**	**19**	**149**	**180**
Collective allowances	**–**	**19**	**2**	**21**
Allowances on impaired loans	**12**	**38**	**151**	**201**
	47,519	**33,391**	**44,458**	**125,368**
Less:				
Sectoral allowance on non-impaired loans – Oil and gas[4]				**213**
Collective allowance on non-impaired loans[5]				**366**
				579
Loans and acceptances, net of allowances				**124,789**

	As at October 31, 2015			
	Residential mortgage	Personal and credit card	Business and government[1][2]	Total
Neither past due[3] nor impaired	43,184	31,556	39,953	114,693
Past due[3] but not impaired	266	295	96	657
Impaired	70	82	305	457
Gross loans	43,520	31,933	40,354	115,807
Less: Allowances on impaired loans				
Individual allowances	10	18	151	179
Collective allowances	–	22	2	24
Allowances on impaired loans	10	40	153	203
	43,510	31,893	40,201	115,604
Less: Collective allowance on non-impaired loans[5]				366
Loans and acceptances, net of allowances				115,238

(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 on non-impaired loans for credit risk 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 July 31, 2016			As at October 31, 2015		
	Residential mortgage	Personal and credit card	Business and government[2]	Residential mortgage	Personal and credit card	Business and government[2]
Past due but not impaired						
31 to 60 days	**107**	**117**	**46**	120	109	36
61 to 90 days	**34**	**32**	**16**	54	38	26
Over 90 days	**77**	**146**	**54**	92	148	34
	218	**295**	**116**	266	295	96

(1) Loans less than 31 days past due are not presented as they are not considered past due from an administrative standpoint.
(2) As at July 31, 2016, the fair value of financial collateral held against loans past due but not impaired was $15 million ($16 million as at October 31, 2015).

Impaired Loans

	As at July 31, 2016			
	Gross	Individual allowances	Collective allowances	Net
Loans				
Residential mortgage	**75**	**12**	**–**	**63**
Personal and credit card	**75**	**19**	**19**	**37**
Business and government	**302**	**149**	**2**	**151**
	452	**180**	**21**	**251**

	As at October 31, 2015			
	Gross	Individual allowances	Collective allowances	Net
Loans				
Residential mortgage	70	10	–	60
Personal and credit card	82	18	22	42
Business and government[1]	305	151	2	152
	457	179	24	254

(1) Including customers' liability under acceptances.

(unaudited) (millions of Canadian dollars)

Allowances for Credit Losses

							Nine months ended July 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	9	(8)	–	1	–	12
Collective allowances	–	–	–	–	–	–	–
Personal and credit card							
Individual allowances	18	90	(28)	(62)	1	–	19
Collective allowances	22	22	(31)	–	6	–	19
Business and government							
Individual allowances	151	51	(87)	–	(3)	37	149
Collective allowances	2	3	(3)	–	–	–	2
Individual allowances	179	150	(123)	(62)	(1)	37	180
Collective allowances	24	25	(34)	–	6	–	21
	203	175	(157)	(62)	5	37	201
Sectoral allowance on non-impaired loans – Oil and gas[3]	–	250	–	–	–	(37)	213
Collective allowance on non-impaired loans[4]	366	–	–	–	–	–	366
	366	250	–	–	–	(37)	579
	569	425	(157)	(62)	5	–	780

							Nine months ended July 31, 2015
	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	9	7	(6)	–	–	–	10
Collective allowances	–	–	–	–	–	–	–
Personal and credit card							
Individual allowances	15	91	(29)	(60)	–	–	17
Collective allowances	21	26	(28)	–	5	–	24
Business and government							
Individual allowances	191	41	(97)	–	7	–	142
Collective allowances	2	2	(2)	–	–	–	2
Individual allowances	215	139	(132)	(60)	7	–	169
Collective allowances	23	28	(30)	–	5	–	26
	238	167	(162)	(60)	12	–	195
Collective allowance on non-impaired loans[4]	366	–	–	–	–	–	366
	604	167	(162)	(60)	12	–	561

(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 on non-impaired loans for credit risk 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 July 31, 2016	As at October 31, 2015
Carrying value of financial assets transferred but not derecognized		
Securities(1)	39,746	32,902
Residential mortgages	18,233	17,732
	57,979	50,634
Carrying value of associated liabilities(2)	34,628	26,820
Fair value of financial assets transferred but not derecognized		
Securities(1)	39,746	32,902
Residential mortgages	18,532	18,032
	58,278	50,934
Fair value of associated liabilities(2)	34,671	26,879

(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 $1,911 million as at July 31, 2016 ($1,411 million as at October 31, 2015) 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 $10,390 million as at July 31, 2016 ($8,140 million as at October 31, 2015).

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

	As at July 31, 2016	As at October 31, 2015
Carrying value of financial assets transferred but not derecognized		
Securities backed by insured residential mortgage loans and other securities sold to Canada Housing Trust	19,313	18,958
Securities sold under repurchase agreements	14,880	7,148
Securities loaned	23,786	24,526
Residential mortgages transferred to a mutual fund	–	2
	57,979	50,634

(unaudited) (millions of Canadian dollars)

NOTE 8 – ASSOCIATES AND JOINT VENTURES

Maple Financial Group Inc.

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

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

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

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

NOTE 9 – OTHER ASSETS

	As at July 31, 2016	As at October 31, 2015
Receivables, prepaid expenses and other items	679	690
Interest and dividends receivable	428	459
Defined benefit asset	49	268
Deferred tax assets	335	230
Current tax assets	80	192
Reinsurance assets	31	25
	1,602	1,864

NOTE 10 – DEPOSITS

	As at July 31, 2016			As at October 31, 2015
	On demand or after notice(1)	Fixed term(2)	Total	Total
Personal	27,634	21,855	49,489	45,981
Business and government	34,916	48,674	83,590	74,441
Deposit-taking institutions	1,338	4,458	5,796	8,408
	63,888	74,987	138,875	128,830

(1) Deposits payable on demand are deposits for which the Bank does not have the right to require notice of withdrawal and consist essentially of deposits in chequing accounts. Deposits payable after notice are deposits for which the Bank may legally require notice of withdrawal and consist mainly of deposits in savings accounts.
(2) 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.

During the nine months ended July 31, 2016, the Bank did not issue any covered bonds (US$750 million and 1.0 billion euros issued during the nine months ended July 31, 2015). See Note 22 for additional information on covered bonds.

The *Deposits – Business and government* item includes the covered bonds, the balance of which was $7,968 million as at July 31, 2016 ($7,910 million as at October 31, 2015). As at October 31, 2015, this item had also included the $225 million deposit note from NBC Capital Trust.

On June 30, 2016, NBC Capital Trust, an open-end trust established by the Bank, redeemed the 225,000 Trust Capital Securities – Series 1, or NBC CapS – Series 1, issued and outstanding on June 30, 2016 at a redemption price of $1,000 per trust capital security plus the unpaid distributions as at the redemption date. Given that, after the redemption, holders of NBC CapS – Series 1 were no longer entitled to receive distributions or exercise any other rights, the authorized but not issued Series 17 and 18 First Preferred Shares were withdrawn from the Bank's authorized capital, and the Bank redeemed the $225 million deposit note from NBC Capital Trust. NBC Capital Trust was terminated on June 30, 2016. For additional information, see Notes 13 and 28 to the audited annual consolidated financial statements for the year ended October 31, 2015.

(unaudited) (millions of Canadian dollars)

NOTE 11 – OTHER LIABILITIES

	As at July 31, 2016	As at October 31, 2015
Accounts payable and accrued expenses	**1,307**	1,334
Subsidiaries' debts to third parties	**1,439**	1,400
Interest and dividends payable	**555**	615
Defined benefit liability	**263**	183
Deferred tax liabilities	**73**	123
Current tax liabilities	**130**	82
Insurance liabilities	**68**	67
Other items[(1)(2)]	**777**	670
	4,612	4,474

(1) As at July 31, 2016, other items included a $29 million restructuring provision ($67 million as at October 31, 2015). See Note 12 for additional information.
(2) As at July 31, 2016, other items included an $11 million litigation provision ($15 million as at October 31, 2015).

NOTE 12 – RESTRUCTURING

During fiscal 2015, the Board approved certain restructuring initiatives in order to continue 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.

During fiscal 2015, the Bank recorded an $86 million charge in *Restructuring charge* in the Consolidated Statement of Income, consisting of severance pay, professional fees, onerous contracts and write-offs of premises and equipment. This restructuring charge was allocated across all the Bank's business segments.

The following table presents changes in the restructuring provision on the Consolidated Balance Sheet.

	Severance pay	Other	Total
As at November 1, 2014	–	–	–
Restructuring charge	53	33	86
Payments during the year	(2)	(17)	(19)
As at October 31, 2015	51	16	67
Payments during the period	**(28)**	**(10)**	**(38)**
As at July 31, 2016	**23**	**6**	**29**

NOTE 13 – SUBORDINATED DEBT

On November 2, 2015, the Bank completed a $500 million redemption of notes maturing in November 2020 at a price equal to their nominal value plus accrued interest.

(unaudited) (millions of Canadian dollars)

NOTE 14 – HEDGING ACTIVITIES

Derivative and Non-Derivative Financial Instruments Designated as Hedging Instruments

	As at July 31, 2016			As at October 31, 2015		
	Fair value hedge	**Cash flow hedge**	**Net investment hedge**	Fair value hedge	Cash flow hedge	Net investment hedge
Assets						
Derivative financial instruments	**817**	**359**	**10**	731	405	4
Liabilities						
Derivative financial instruments	**545**	**222**	**2**	466	365	2
Carrying value of non-derivative financial instruments	**–**	**–**	**1,283**	–	–	1,690
Notional amounts of designated derivative financial instruments	**20,655**	**19,213**	**483**	25,433	28,521	632

Results of the Fair Value Hedges

	Quarter ended July 31		Nine months ended July 31	
	2016	2015	**2016**	2015
Gains (losses) on hedging instruments	**85**	49	**23**	118
Gains (losses) on hedged items attributable to the hedged risk	**(87)**	(50)	**(25)**	(119)
Ineffectiveness of fair value hedging relationships	**(1)**	(3)	**(1)**	(3)

Results of the Cash Flow Hedges

	Quarter ended July 31		Nine months ended July 31	
	2016	2015	**2016**	2015
Unrealized gains (losses) included in *Other comprehensive income* as the effective portion of the hedging instrument	**17**	(59)	**77**	(24)
Losses (gains) reclassified to *Net interest income* in the Consolidated Statement of Income	**(7)**	(4)	**(17)**	(12)
Ineffectiveness of cash flow hedging relationships	**–**	–	**(1)**	–

The following table shows the periods during which the Bank expects the hedged cash flows to occur and have an impact on net income.

	As at July 31, 2016			
	1 year or less	**Over 1 year to 2 years**	**Over 2 years to 5 years**	**Over 5 years**
Expected cash flows from hedged assets	**17**	**17**	**36**	**20**
Expected cash flows from hedged liabilities	**52**	**50**	**106**	**23**
Net exposure	**(35)**	**(33)**	**(70)**	**(3)**

Results of the Hedges of Net Investments in Foreign Operations

For the nine-month periods ended July 31, 2016 and 2015, a negligible amount representing the ineffective portion was recognized in *Non-interest income* in the Consolidated Statement of Income.

NOTE 15 – SHARE CAPITAL

Issuance of Preferred Shares

On June 13, 2016, the Bank issued 16,000,000 Non-Cumulative 5-Year Rate-Reset Series 36 First Preferred Shares at a per-share price of $25.00 for gross proceeds of $400 million. These shares are redeemable in cash at the Bank's option, subject to the provisions of the *Bank Act* (Canada) and to OSFI approval, as of August 15, 2021 and on August 15 every five years thereafter, in whole or in part, at a price equal to $25.00 per share, plus all dividends declared and unpaid thereon on the date fixed for redemption; the shares are convertible at the option of the holder into an equal number of floating-rate (equal to the three-month Government of Canada Treasury Bills yield plus 4.66%) non-cumulative Series 37 First Preferred Shares, subject to certain conditions, on August 15, 2021 and on August 15 every five years thereafter. The Series 36 preferred shares carry a non-cumulative quarterly dividend of $0.3375 for the initial period ending August 15, 2021. Thereafter, these shares carry a non-cumulative quarterly fixed dividend in an amount per share determined by multiplying the interest rate, equal to the sum of the 5-year Government of Canada bond yield on the calculation date of the applicable fixed rate plus 4.66%, by $25.00. Given that the Series 36 preferred shares satisfy the non-viability contingent capital requirements, they qualify for the purposes of calculating regulatory capital under Basel III.

On January 22, 2016, the Bank issued 16,000,000 Non-Cumulative 5-Year Rate-Reset Series 34 First Preferred Shares at a per-share price of $25.00 for gross proceeds of $400 million. These shares are redeemable in cash at the Bank's option, subject to the provisions of the *Bank Act* (Canada) and to OSFI approval, as of May 15, 2021 and on May 15 every five years thereafter, in whole or in part, at a price equal to $25.00 per share, plus all dividends declared and unpaid thereon on the date fixed for redemption; the shares are convertible at the option of the holder into an equal number of floating-rate (equal to the three-month Government of Canada Treasury Bills yield plus 4.90%) non-cumulative Series 35 First Preferred Shares, subject to certain conditions, on May 15, 2021 and on May 15 every five years thereafter. The Series 34 preferred shares carry a non-cumulative quarterly dividend of $0.3500 for the initial period ending May 15, 2021. Thereafter, these shares carry a non-cumulative quarterly fixed dividend in an amount per share determined by multiplying the interest rate, equal to the sum of the 5-year Government of Canada bond yield on the calculation date of the applicable fixed rate plus 4.90%, by $25.00. Given that the Series 34 preferred shares satisfy the non-viability contingent capital requirements, they qualify for the purposes of calculating regulatory capital under Basel III.

Redemption of Preferred Shares

On November 16, 2015, which was the first business day after the November 15, 2015 redemption date, the Bank completed the redemption of all the issued and outstanding Non-Cumulative Fixed-Rate Series 20 First Preferred Shares. Pursuant to the share conditions, the redemption price was $25.50 per share plus the periodic dividend declared and unpaid. The Bank redeemed 6,900,000 Series 20 preferred shares for a total amount of $176 million, which reduced *Preferred share capital* by $173 million and *Retained earnings* by $3 million.

Repurchase of Common Shares

On May 11, 2015, the Bank began a normal course issuer bid to repurchase for cancellation up to 6,000,000 common shares over the 12-month period ended May 10, 2016. The shares were to be repurchased on the open market at market prices through the Toronto Stock Exchange. The amounts that would have been paid above the average book value of the common shares would have been charged to *Retained earnings*. During the nine months ended July 31, 2016 and the year ended October 31, 2015, the Bank did not repurchase any shares.

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. As at July 31, 2016, the number of common shares held in escrow was 936,785 (936,785 as at October 31, 2015). The Bank expects that the conditions will be met and that the remaining shares held in escrow will be released by the end of calendar year 2016.

(unaudited) (millions of Canadian dollars)

Shares Outstanding

	As at July 31, 2016		As at October 31, 2015	
	Number of shares	Shares $	Number of shares	Shares $
First Preferred Shares				
Series 20	–	–	6,900,000	173
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	–	–
Series 36	16,000,000	400	–	–
	66,000,000	1,650	40,900,000	1,023
Common shares at beginning of the fiscal year	337,236,322	2,614	329,297,375	2,293
Issued under a public offering	–	–	7,160,000	300
Issued pursuant to the Stock Option Plan	800,068	31	1,059,650	39
Impact of shares purchased or sold for trading(1)	(1,210,321)	(53)	(280,703)	(18)
Common shares at end of the period	336,826,069	2,592	337,236,322	2,614

(1) As at July 31, 2016, the Bank held 866,434 shares for trading, representing an amount of $39 million (343,887 shares sold short for trading representing an amount of $14 million as at October 31, 2015).

Dividends Declared

	Nine months ended July 31			
	2016		2015	
	Dividends $	Dividends per share	Dividends $	Dividends per share
First Preferred Shares				
Series 20	–	–	8	1.1250
Series 28	6	0.7125	6	0.7125
Series 30	10	0.7688	10	0.7688
Series 32	9	0.7313	10	0.8322
Series 34	13	0.7873	–	–
	38		34	
Common shares	550	1.6300	501	1.5200
	588		535	

NOTE 16 – NON-CONTROLLING INTERESTS

	As at July 31, 2016	As at October 31, 2015
Trust units issued by NBC Asset Trust (NBC CapS II)		
Series 1(1)	403	410
Series 2(2)	352	359
Other	49	32
	804	801

(1) Includes $3 million in accrued interest ($10 million as at October 31, 2015).
(2) Includes $2 million in accrued interest ($9 million as at October 31, 2015).

(unaudited) (millions of Canadian dollars)

NOTE 17 – 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). OSFI designated Canada's six largest banks, a group that includes National Bank, as Domestic Systemically Important Banks. Consequently, the Bank and all other major Canadian banks have 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.

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 and the nine months ended July 31, 2016, the Bank was in compliance with all of OSFI's regulatory capital requirements.

Regulatory Capital and Ratios Under Basel III[1]

	As at July 31, 2016	As at October 31, 2015
Capital		
CET1	6,758	6,801
Tier 1[2]	9,158	8,626
Total[2][3]	10,405	9,678
Risk-weighted assets		
CET1 capital	68,530	68,835
Tier 1 capital	68,765	69,094
Total capital	68,966	69,316
Total exposure	248,276	234,957
Capital ratios		
CET1	9.9 %	9.9 %
Tier 1[2]	13.3 %	12.5 %
Total[2][3]	15.1 %	14.0 %
Leverage ratio	3.7 %	3.7 %

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

(unaudited) (millions of Canadian dollars)

NOTE 18 – 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 July 31		Nine months ended July 31	
	2016	2015	**2016**	2015
Net interest income	**140**	132	**398**	343
Non-interest income	**12**	62	**67**	179
	152	194	**465**	522

NOTE 19 – SHARE-BASED PAYMENTS

Stock Option Plan

During the quarters ended July 31, 2016 and 2015, the Bank did not award any stock options. During the nine months ended July 31, 2016, the Bank awarded 2,140,420 stock options (3,170,260 stock options during the nine-month period ended July 31, 2015) with an average fair value of $3.70 per option ($7.44 in 2015).

As at July 31, 2016, there were 17,655,535 stock options outstanding (16,652,313 stock options as at October 31, 2015).

The average fair value of the options awarded was estimated on the award date using the Black-Scholes model. The following assumptions were used for accounting purposes.

	Nine months ended July 31	
	2016	2015
Risk-free interest rate	**1.43%**	2.01%
Expected life of options	**7 years**	7 years
Expected volatility	**21.12%**	24.82%
Expected dividend yield	**5.33%**	4.00%

Compensation expense is presented in the following table.

	Quarter ended July 31		Nine months ended July 31	
	2016	2015	**2016**	2015
Compensation expense recorded for stock options	**3**	5	**9**	15

(unaudited) (millions of Canadian dollars)

NOTE 20 – 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 July 31
		Pension plans		Other post-employment benefit plans
	2016	2015	**2016**	2015
Current service cost	**19**	22	**1**	1
Interest expense (income), net	**(2)**	(2)	**2**	1
Administrative expenses	**1**	1		
Expense recognized in *Net income*	**18**	21	**3**	2
Remeasurements(1)				
Actuarial (gains) losses on defined benefit obligation	**303**	(30)	**14**	(1)
Return on plan assets(2)	**(200)**	10		
Remeasurements recognized in *Other comprehensive income*	**103**	(20)	**14**	(1)
	121	1	**17**	1

				Nine months ended July 31
		Pension plans		Other post-employment benefit plans
	2016	2015	**2016**	2015
Current service cost	**57**	65	**3**	3
Interest expense (income), net	**(6)**	(4)	**6**	5
Administrative expenses	**3**	3		
Expense recognized in *Net income*	**54**	64	**9**	8
Remeasurements(1)				
Actuarial (gains) losses on defined benefit obligation	**491**	207	**22**	10
Return on plan assets(2)	**(209)**	(208)		
Remeasurements recognized in *Other comprehensive income*	**282**	(1)	**22**	10
	336	63	**31**	18

(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 21 – 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 July 31		Nine months ended July 31	
	2016	2015	**2016**	2015
Basic earnings per share				
Net income attributable to the Bank's shareholders	**460**	436	**892**	1,221
Dividends on preferred shares	**14**	11	**38**	34
Premium paid on preferred shares redeemed for cancellation	**–**	–	**3**	–
Net income attributable to common shareholders	**446**	425	**851**	1,187
Weighted average basic number of common shares outstanding *(thousands)*	**337,553**	329,527	**337,318**	329,227
Basic earnings per share *(dollars)*	**1.32**	1.29	**2.52**	3.61
Diluted earnings per share				
Net income attributable to common shareholders	**446**	425	**851**	1,187
Weighted average basic number of common shares outstanding *(thousands)*	**337,553**	329,527	**337,318**	329,227
Adjustment to number of common shares *(thousands)*				
Stock options(1)	**2,643**	3,600	**2,309**	3,651
Weighted average diluted number of common shares outstanding *(thousands)*	**340,196**	333,127	**339,627**	332,878
Diluted earnings per share *(dollars)*	**1.31**	1.28	**2.51**	3.56

(1) For the quarter ended July 31, 2016, the diluted earnings per share calculation does not include an average number of 5,688,912 options outstanding with a weighted average exercise price of $46.54 (3,169,348 options outstanding with a weighted average exercise price of $47.93 for the quarter ended July 31, 2015), as the exercise price of these options was higher than the average price of the Bank's common shares. For the nine months ended July 31, 2016, the diluted earnings per share calculation does not include an average number of 7,593,756 options outstanding with a weighted average exercise price of $45.35, as the exercise price of these options was higher than the average price of the Bank's common shares. For the nine months ended July 31, 2015, as the exercise price of the options was lower than the average price of the Bank's common shares, no option was excluded from the diluted earnings per share calculation.

(unaudited) (millions of Canadian dollars)

NOTE 22 – 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, 2015. 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, 2015. 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 the derivative 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 July 31, 2016
	Multi-seller conduits(1)	Master asset vehicles(2)	Investment funds(3)	Private investments(4)	Asset-backed funds(5)	NBC Capital Trust(6)
Assets on the Consolidated Balance Sheet						
Securities at fair value through profit or loss	2	632	34	–	–	–
Available-for-sale securities	–	6	29	97	40	–
Derivative financial instruments	12	–	–	–	–	–
Other assets	–	–	–	–	9	–
	14	638	63	97	49	–
As at October 31, 2015	33	655	180	95	114	–
Liabilities on the Consolidated Balance Sheet						
Deposits – Business and government	–	–	–	–	–	–
As at October 31, 2015	–	–	–	–	–	229
Maximum exposure to loss						
Securities and derivative financial instruments	14	638	63	97	49	–
Liquidity and credit enhancement facilities	2,922	–	–	–	–	–
Margin funding facility	–	821	–	–	–	–
	2,936	1,459	63	97	49	–
As at October 31, 2015	2,266	1,476	180	95	114	–
Total assets of the structured entities	2,958	–	196	3,018	50	–
As at October 31, 2015	2,283	–	1,243	3,648	144	234

(1) The main underlying assets, located in Canada, are residential mortgages, automobile loans, automobile inventory financings, and other receivables. As at July 31, 2016, the notional committed amount of the global-style liquidity facilities totalled $2.9 billion ($2.3 billion as at October 31, 2015), 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, 2015). The maximum exposure to loss cannot exceed the amount of commercial paper outstanding. As at July 31, 2016, the Bank held $2 million in commercial paper ($22 million as at October 31, 2015) and, consequently, the maximum potential amount of future payments as at July 31, 2016 is limited to $2.9 billion ($2.2 billion as at October 31, 2015), which represents the undrawn liquidity and credit enhancement facilities.

(2) The total amount outstanding of restructured notes of the MAV conduits was $9.3 billion as at July 31, 2016 ($9.3 billion as at October 31, 2015). The undrawn margin funding facility amounted to $821 million as at July 31, 2016 ($821 million as at October 31, 2015).

(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 automobile loans.

(6) The underlying asset is a deposit note from the Bank and that was redeemed by the Bank on June 30, 2016. NBC Capital Trust was terminated on the same day. For additional information, see Note 10.

(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 July 31, 2016		As at October 31, 2015	
	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]	**339**	**1,652**	339	1,649
National Bank hedge fund managed accounts (Innocap platform)[3][4]	**–**	**–**	23	23
Investment funds[5]	**272**	**316**	410	460
Covered bonds[6]	**10,965**	**11,468**	12,722	13,099
Building[7]	**69**	**62**	70	63
NBC Asset Trust[8]	**1,350**	**2,106**	1,125	1,900
Third-party structured entities[9]	**981**	**981**	1,395	1,395
	13,976	**16,585**	16,084	18,589

(1) There are restrictions that stem mainly from regulatory requirements, corporate or securities laws and contractual arrangements that limit the ability of some of the Bank's 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 (trading portfolio). The total assets of the Innocap platform are presented on a net asset basis.
(5) The underlying assets are various financial instruments and are presented on a net asset basis. Certain investment funds are in a trading portfolio.
(6) For the covered bonds issued under the covered bond legislative program, the underlying assets are uninsured residential mortgage loans of the Bank. The average maturity of these underlying assets is two years. For covered bonds issued under the structured covered bond program, the underlying assets are insured residential mortgage loans of the Bank. The average maturity of these underlying assets is two years. As at July 31, 2016, the total amount of transferred mortgage loans was $11.0 billion ($12.7 billion as at October 31, 2015), and the total amount of covered bonds of $8.0 billion was recognized in *Deposits – Business and government* on the Consolidated Balance Sheet ($7.9 billion as at October 31, 2015). For additional information, see Note 10.
(7) The underlying asset is a building located in Canada.
(8) The underlying assets are insured and uninsured residential mortgage loans of the Bank. As at July 31, 2016, insured loans amounted to $171 million ($188 million as at October 31, 2015). The average maturity of the underlying assets is two years. For additional information, see Note 16.
(9) The underlying assets consist of equipment leased under operating leases.

(unaudited) (millions of Canadian dollars)

NOTE 23 – SEGMENT DISCLOSURES

Quarter ended July 31

	Personal and Commercial		Wealth Management		Financial Markets		Other		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Net interest income(1)	**486**	462	**94**	78	**247**	234	**(55)**	(102)	**772**	672
Non-interest income(2)	**253**	269	**266**	268	**193**	236	**73**	65	**785**	838
Total revenues	**739**	731	**360**	346	**440**	470	**18**	(37)	**1,557**	1,510
Non-interest expenses	**417**	412	**250**	242	**198**	194	**72**	58	**937**	906
Contribution	**322**	319	**110**	104	**242**	276	**(54)**	(95)	**620**	604
Provisions for credit losses	**44**	55	**1**	1	**–**	–	**–**	–	**45**	56
Income before income taxes (recovery)	**278**	264	**109**	103	**242**	276	**(54)**	(95)	**575**	548
Income taxes (recovery)(1)	**75**	71	**29**	27	**68**	75	**(75)**	(78)	**97**	95
Net income	**203**	193	**80**	76	**174**	201	**21**	(17)	**478**	453
Non-controlling interests	**–**	–	**–**	–	**3**	3	**15**	14	**18**	17
Net income attributable to the Bank's shareholders	**203**	193	**80**	76	**171**	198	**6**	(31)	**460**	436
Average assets	**91,100**	87,479	**11,007**	10,442	**92,696**	87,064	**42,644**	36,659	**237,447**	221,644

Nine months ended July 31

	Personal and Commercial		Wealth Management		Financial Markets		Other		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Net interest income(3)	**1,426**	1,352	**274**	242	**745**	757	**(258)**	(364)	**2,187**	1,987
Non-interest income(3)(4)	**735**	754	**795**	838	**411**	541	**143**	221	**2,084**	2,354
Total revenues	**2,161**	2,106	**1,069**	1,080	**1,156**	1,298	**(115)**	(143)	**4,271**	4,341
Non-interest expenses	**1,222**	1,219	**743**	740	**583**	559	**168**	187	**2,716**	2,705
Contribution	**939**	887	**326**	340	**573**	739	**(283)**	(330)	**1,555**	1,636
Provisions for credit losses(5)	**421**	165	**4**	2	**–**	–	**–**	–	**425**	167
Income before income taxes (recovery)	**518**	722	**322**	338	**573**	739	**(283)**	(330)	**1,130**	1,469
Income taxes (recovery)(3)	**140**	194	**85**	85	**189**	203	**(233)**	(285)	**181**	197
Net income	**378**	528	**237**	253	**384**	536	**(50)**	(45)	**949**	1,272
Non-controlling interests	**–**	–	**–**	–	**15**	8	**42**	43	**57**	51
Net income attributable to the Bank's shareholders	**378**	528	**237**	253	**369**	528	**(92)**	(88)	**892**	1,221
Average assets	**90,877**	86,181	**10,991**	10,283	**89,657**	88,672	**41,914**	35,878	**233,439**	221,014

(1) *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 $48 million ($61 million in 2015) and an equivalent amount was recognized in *Income taxes (recovery)*. The effect of these adjustments is reversed under the *Other* heading.

(2) For the quarter ended July 31 2016, *Non-interest income* included a $41 million gain, presented in the *Other* heading, on the revaluation of the previsouly held interest in Advanced Bank of Asia Limited.

(3) For the nine months ended July 31, 2016, *Net interest income* was grossed up by $178 million ($247 million in 2015), *Non-interest income* was grossed up by $2 million (nil in 2015), and an equivalent amount was recognized in *Income taxes (recovery)*. The effect of these adjustments is reversed under the *Other* heading.

(4) For the nine months ended July 31, 2016, *Non-interest income* includes the $164 million write-off of the equity interest in associate Maple Financial Group Inc., presented in the Financial Markets segment.

(5) For the nine months ended July 31, 2016, the *Provisions for credit losses* item includes a $250 million sectoral provision on non-impaired loans recorded for the oil and gas producer and service company loan portfolio, presented in the Personal and Commercial segment.

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 institutional clients. The segment is also active in proprietary trading and investment activities for the Bank.

Other

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

(unaudited) (millions of Canadian dollars)

NOTE 24 – ACQUISITION

Advanced Bank of Asia Limited

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

For the third quarter and nine-month period ended July 31, 2016, the amount of the acquisition-related costs included in *Non-interest expenses* in the Consolidated Statement of Income was negligible. During the quarter ended July 31, 2016, the Bank also recognized a $41 million non-taxable gain on the revaluation of its previously held equity interest in ABA in the *Non-interest income – Other* item of the Consolidated Statement of Income. For segment disclosure purposes, this gain and ABA's financial results have been included in the *Other* heading. ABA's results have been consolidated in the Bank's financial statements as of May 17, 2016. During the nine-month period ended July 31, 2016, ABA contributed approximately $18 million to the Bank's total revenues and approximately $9 million to its net income. Had the Bank completed the acquisition on November 1, 2015, it would have reported total revenues of approximately $4,304 million and net income of approximately $959 million for the nine months ended July 31, 2016.

During the measurement period, the estimated fair values of all assets acquired and liabilities assumed may be retrospectively adjusted to reflect new information obtained about facts and circumstances that existed as at the acquisition date. The following table summarizes the estimated acquisition-date fair values of all assets acquired and liabilities assumed.

Cash and deposits with financial institutions	**356**
Securities	**54**
Loans	**754**
Goodwill	**125**
Intangible assets	**2**
Other assets	**30**
	1,321
Deposits	**969**
Other liabilities	**86**
	1,055
Purchase price	**119**
Previously held interest	**133**
Non-controlling interest	**14**
	266

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 2016
(subject to approval by the Board of Directors of the Bank)

First quarter	February 23
Second quarter	June 1
Third quarter	August 31
Fourth quarter	December 2

Disclosure of Third Quarter 2016 Results

Conference Call
- A conference call for analysts and institutional investors will be held on Wednesday, August 31, 2016 at 1:00 p.m. EDT.
- Access by telephone in listen-only mode: 1-866-862-3930 or 416-695-7806. The access code is 6303175#.
- A recording of the conference call can be heard until September 29, 2016 by dialing 1-800-408-3053 or 905-694-9451. The access code is 4441499#.

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

Financial Documents
- The *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