NATIONAL BANK

REPORT TO SHAREHOLDERS SECOND QUARTER 2017

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

The financial information reported in this document is based on the unaudited interim condensed consolidated financial statements for the quarter and six-month period ended April 30, 2017 and is prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), unless otherwise indicated. IFRS represent Canadian generally accepted accounting principles (GAAP). All amounts are presented in Canadian dollars.

MONTREAL, May 31, 2017 – For the second quarter of 2017, National Bank is reporting net income of $484 million, a $274 million increase from $210 million in the second quarter of 2016. This increase is a result of the sectoral provision for credit losses of $183 million, net of income taxes, recorded for the oil and gas producer and service company loan portfolio in the second quarter of 2016 and of growth in net income across all the business segments. Diluted earnings per share stood at $1.28 in the second quarter of 2017 compared to $0.52 in the second quarter of 2016.

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

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

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

Highlights

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

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

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

Personal and Commercial

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

Wealth Management

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

Financial Markets

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

U.S. Specialty Finance and International

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

Other

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

Capital Management

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 30, 2017

The following Management's Discussion and Analysis (MD&A) presents the financial condition and operating results of National Bank of Canada (the Bank). This analysis was prepared in accordance with the requirements set out in *National Instrument 51-102 Continuous Disclosure Obligations* released by the Canadian Securities Administrators (CSA). It is based on the unaudited interim condensed consolidated financial statements (the consolidated financial statements) for the quarter and six-month period ended April 30, 2017 prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), unless otherwise indicated. IFRS represent Canadian generally accepted accounting principles (GAAP). This MD&A should be read in conjunction with the consolidated financial statements and accompanying notes for the quarter and six-month period ended April 30, 2017 and with the *2016 Annual Report*. All amounts are presented in Canadian dollars. Additional information about the Bank, including the *Annual Information Form*, can be obtained from the Bank's website at nbc.ca and SEDAR's website at sedar.com.

Caution Regarding Forward-Looking Statements

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

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

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

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

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

FINANCIAL REPORTING METHOD

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

Non-GAAP Measures

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

Financial Information

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

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

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

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

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

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

HIGHLIGHTS

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

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

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

FINANCIAL ANALYSIS

Consolidated Results

On November 1, 2016, the Bank reclassified certain amounts in the Consolidated Statement of Income to better reflect the nature of revenues reported in the Personal and Commercial segment. Accordingly, for the quarter ended April 30, 2016, an amount of $6 million reported in the *Non-interest income – Credit fees* item was reclassified to *Net interest income – Loans* ($16 million for the six-month period ended April 30, 2016). This reclassification had no impact on *Net income*.

(millions of Canadian dollars)	Quarter ended April 30			Six months ended April 30		
	2017	2016	% Change	**2017**	2016	% Change
Operating results						
Net interest income	**762**	715	7	**1,560**	1,431	9
Non-interest income	**835**	710	18	**1,670**	1,283	30
Total revenues	**1,597**	1,425	12	**3,230**	2,714	19
Non-interest expenses	**941**	876	7	**1,910**	1,779	7
Contribution	**656**	549	19	**1,320**	935	41
Provisions for credit losses(1)	**56**	317	(82)	**116**	380	(69)
Income before income taxes	**600**	232	159	**1,204**	555	117
Income taxes	**116**	22	427	**223**	84	165
Net income	**484**	210	130	**981**	471	108
Diluted earnings per share *(dollars)*	**1.28**	0.52	146	**2.62**	1.19	120
Taxable equivalent basis(2)						
Net interest income	**46**	75		**114**	130	
Non-interest income	**7**	2		**11**	2	
Income taxes	**53**	77		**125**	132	
Impact of taxable equivalent basis on net income	**–**	–		**–**	–	
Specified items(3)						
Items related to holding restructured notes	**–**	(3)		**–**	(5)	
Acquisition-related items	**(9)**	(7)		**(15)**	(34)	
Write-off of an equity interest in an associate	**–**	–		**–**	(164)	
Specified items before income taxes	**(9)**	(10)		**(15)**	(203)	
Income taxes on specified items(4)	**(1)**	17		**(2)**	(10)	
Specified items after income taxes	**(8)**	(27)		**(13)**	(193)	
Operating results on a taxable equivalent basis(2) and excluding specified items(3)						
Net interest income on a taxable equivalent basis and excluding specified items	**808**	793	2	**1,674**	1,566	7
Non-interest income on a taxable equivalent basis and excluding specified items	**846**	714	18	**1,687**	1,471	15
Total revenues on a taxable equivalent basis and excluding specified items	**1,654**	1,507	10	**3,361**	3,037	11
Non-interest expenses excluding specified items	**936**	871	7	**1,901**	1,767	8
Contribution on a taxable equivalent basis and excluding specified items	**718**	636	13	**1,460**	1,270	15
Provisions for credit losses(1)	**56**	317	(82)	**116**	380	(69)
Income before income taxes on a taxable equivalent basis and excluding specified items	**662**	319	108	**1,344**	890	51
Income taxes on a taxable equivalent basis and excluding specified items	**170**	82	107	**350**	226	55
Net income excluding specified items	**492**	237	108	**994**	664	50
Diluted earnings per share excluding specified items *(dollars)*(5)	**1.30**	0.60	117	**2.65**	1.77	50
Average assets	**251,033**	230,593	9	**248,505**	231,412	7
Average loans and acceptances	**127,162**	119,422	6	**126,668**	118,362	7
Impaired loans, net of total allowances	**(340)**	(316)		**(340)**	(316)	
Average deposits	**153,220**	139,166	10	**151,754**	140,689	8
Efficiency ratio excluding specified items(3)	**56.6 %**	57.8 %		**56.6 %**	58.2 %	

(1) During the quarter ended April 30, 2017, the Bank reversed, by $40 million, the sectoral provision on non-impaired loans recorded for the oil and gas producer and service company loan portfolio, and an amount of $40 million in provisions for credit losses was recorded to reflect an increase in the collective allowance for credit risk on non-impaired loans. For the quarter and six-month period ended April 30, 2016, the provisions for credit losses included a $250 million sectoral provision on non-impaired loans recorded for the oil and gas producer and service company loan portfolio.

(2) 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.

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

(4) For the quarter and six-month period ended April 30, 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.

(5) For the six months ended April 30, 2016, the specified items included a premium of $3 million, or $0.01 per share, on the redemption of the Series 20 preferred shares for cancellation.

Financial Results

For the second quarter of 2017, the Bank reported net income of $484 million, a $274 million increase from $210 million in the second quarter of 2016. This increase is a result of the sectoral provision for credit losses of $183 million, net of income taxes, recorded for the oil and gas producer and service company loan portfolio in the second quarter of 2016 and of net income growth across all business segments. Diluted earnings per share stood at $1.28 in the second quarter of 2017 compared to $0.52 in the second quarter of 2016.

Net income excluding specified items totalled $492 million in the second quarter of 2017 compared to $237 million in the second quarter of 2016, and diluted earnings per share excluding specified items stood at $1.30 for the second quarter of 2017 compared to $0.60 in the same quarter of 2016. For the second quarter of 2017, the specified items, net of income taxes, consisted of $8 million in acquisition-related items (2016: $6 million). For the second quarter of 2016, the specified items, net of income taxes, had also included the following items: $3 million in items related to holding restructured notes and an $18 million tax provision recorded to reflect the impact of changes to tax measures.

For the six months ended April 30, 2017, the Bank's net income totalled $981 million versus $471 million in the same six-month period of 2016, and its 2017 first-half diluted earnings per share stood at $2.62 versus $1.19 in the same period of 2016. These increases were the result of net income growth across all the business segments, particularly the net income contribution of the ABA Bank subsidiary, the sectoral provision that had been recorded in the second quarter of 2016, and the write-off of the Bank's equity interest in associate Maple in the first quarter of 2016. Net income excluding specified items totalled $994 million in the six-month period ended April 30, 2017, a 50% increase from $664 million in the same period of 2016. Diluted earnings per share excluding specified items stood at $2.65 for the six months ended April 30, 2017 compared to $1.77 in the same six-month period of 2016. For the six months ended April 30, 2017, the specified items, net of income taxes, consisted of $13 million in acquisition-related charges (2016: $26 million, including an amount of $13 million for the Bank's share in goodwill and intangible asset impairment losses stemming from its interest in TMX). For the same six-month period of 2016, the specified items, net of income taxes, also included a $145 million write-off of the Bank's equity interest in associate Maple, $4 million in items related to holding restructured notes, and an $18 million tax provision recorded to reflect the impact of changes to tax measures.

Return on common shareholders' equity excluding specified items was 18.4% for the six months ended April 30, 2017 compared to 12.8% in the same period of 2016; this change was essentially due to the sectoral provision recorded in 2016.

Total Revenues

For the second quarter of 2017, the Bank's total revenues amounted to $1,597 million, rising $172 million or 12% year over year. Second-quarter net interest income was up 7%, mainly because of growth in personal and commercial loans and deposits, net interest income growth in the Wealth Management segment that was partly driven by deposit growth and improved margins, net interest income growth at Credigy Ltd., and the revenues generated by the ABA Bank subsidiary. Second-quarter non-interest income was also up, posting year-over-year growth of 18% owing to increases in trading revenues, gains on available-for-sale securities, mutual fund revenues, trust service revenues, and other-than-trading foreign exchange revenues. In addition, the *Other* item of non-interest income was also up, partly because of an increase in the portion of Credigy Ltd. revenues reported in non-interest income. However, these increases were tempered by lower underwriting and advisory fees and lower securities brokerage commissions, while card revenues and credit fees remained steady. Total revenues on a taxable equivalent basis and excluding specified items amounted to $1,654 million in the second quarter of 2017, a 10% increase from $1,507 million in the second quarter of 2016.

For the six months ended April 30, 2017, total revenues amounted to $3,230 million compared to $2,714 million in the same six-month period of 2016, a 19% increase partly driven by 9% growth in net interest income owing to the same reasons provided for the quarter. First-half non-interest income rose $387 million year over year, mainly because of increases in trading revenues, gains on available-for-sale securities, Wealth Management revenues, insurance revenues and other revenues, which include a portion of the Credigy Ltd. revenues and the $164 million write-off of the Bank's equity interest in associate Maple in the first half of 2016. The Bank's first-half share in the net income of associates and joint ventures also increased year-over-year, partly because a $13 million amount representing the Bank's share in the goodwill and intangible asset impairment losses arising from its interest in TMX had been recorded during the first six months of 2016. These increases were partly offset by year-over-year decreases in securities brokerage commissions, credit fees, and other-than-trading foreign exchange revenues. Total revenues on a taxable equivalent basis and excluding specified items amounted to $3,361 million for the six months ended April 30, 2017 compared to $3,037 million in the same period of 2016.

Provisions for Credit Losses

For the second quarter of 2017, the Bank recorded $56 million in provisions for credit losses compared to $317 million in the same quarter of 2016. This decrease is related mainly to the sectoral provision on non-impaired loans recorded for the oil and gas producer and service company loan portfolio, which was reversed by $40 million in the second quarter of 2017 compared to a $250 million provision recorded in the same quarter of 2016, as well as to a decrease in the provisions for credit losses on Commercial Banking loans. These lower credit loss provisions were partly offset by a $40 million increase in the collective allowance on non-impaired loans for credit risk related to growth in the Bank's overall credit portfolio as well as by higher provisions for credit losses in the U.S. Specialty Finance and International segment that are mainly attributable to the Credigy Ltd. subsidiary.

For the six months ended April 30, 2017, the Bank recorded $116 million in provisions for credit losses, $264 million less than in the same period of 2016. The reasons for this decrease are the same as those provided above for the second quarter. In addition, the 2017 first-half provisions for credit losses on Personal Banking loans were less than those recorded in the same period of 2016.

As at April 30, 2017, gross impaired loans stood at $422 million, declining $70 million since October 31, 2016. This decrease came mainly from the commercial loan portfolios. Impaired loans represented 5.0% of the tangible capital adjusted for allowances as at April 30, 2017, down 1.3 percentage points from 6.3% as at October 31, 2016. As at April 30, 2017, allowances for credit losses exceeded gross impaired loans by $340 million compared to $289 million as at October 31, 2016.

Non-Interest Expenses

For the second quarter of 2017, non-interest expenses stood at $941 million, a 7% year-over-year increase attributable to an increase in compensation and employee benefits, particularly variable compensation associated with revenue growth, as well as to an increase in technology investment expenses. These increases were partly offset by a decrease in professional fees. Some of the overall growth in non-interest expense also came from the ABA Bank subsidiary, whose results have been consolidated into the Bank's results since the third quarter of 2016. Non-interest expenses excluding specified items stood at $936 million for the second quarter of 2017 compared to $871 million in the same quarter of 2016.

For the six months ended April 30, 2017, non-interest expenses rose 7% year over year. The reasons for this increase are the same as those provided above for the quarter, except for professional fees, which remained relatively stable compared to the same period of 2016. Non-interest expenses excluding specified items stood at $1,901 million for the first six months of 2017, up 8% from $1,767 million in the same period of 2016.

Income Taxes

For the second quarter of 2017, income taxes stood at $116 million compared to $22 million in the same quarter of 2016. The 2017 second-quarter effective tax rate was 19% compared to 9% in the same quarter of 2016. The change in the effective tax rate came mainly from the tax impact of recording the sectoral provision on non-impaired loans for the oil and gas producer and service company loan portfolio in the second quarter of 2016 as well as from lower tax-exempt dividend income in the second quarter of 2017 than in the second quarter of 2016. In addition, during the second quarter of 2016, a tax provision had been recorded to reflect the impact of changes to tax measures.

For the six months ended April 30, 2017, the effective tax rate stood at 19% compared to 15% in the same six-month period of 2016. The reasons for this increase are essentially the same as those provided above for the second quarter. In addition, the effective tax rate for the first six months of 2016 was affected by the write-off of the equity interest in associate Maple.

Results by Segment

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

Personal and Commercial

(millions of Canadian dollars)	Quarter ended April 30			Six months ended April 30		
	2017	2016(1)	% Change	**2017**	2016(1)	% Change
Operating results						
Net interest income	**496**	471	5	**1,006**	956	5
Non-interest income	**238**	227	5	**483**	466	4
Total revenues	**734**	698	5	**1,489**	1,422	5
Non-interest expenses	**410**	401	2	**822**	817	1
Contribution	**324**	297	9	**667**	605	10
Provisions for credit losses(2)	**6**	315	(98)	**58**	377	(85)
Income before income taxes	**318**	(18)		**609**	228	
Income taxes	**85**	(5)		**163**	61	
Net income	**233**	(13)		**446**	167	
Net income excluding the impact of the sectoral provision(2)	**204**	170	20	**417**	350	19
Net interest margin(3)	**2.24 %**	2.21 %		**2.24 %**	2.23 %	
Average interest-bearing assets	**91,068**	86,680	5	**90,608**	86,224	5
Average assets	**95,755**	91,841	4	**95,290**	91,490	4
Average loans and acceptances	**95,364**	91,497	4	**94,915**	91,130	4
Net impaired loans	**207**	293	(29)	**207**	293	(29)
Net impaired loans as a % of average loans and acceptances	**0.2 %**	0.3 %		**0.2 %**	0.3 %	
Average deposits	**53,580**	47,424	13	**52,648**	46,917	12
Efficiency ratio	**55.9 %**	57.4 %		**55.2 %**	57.5 %	

(1) For the quarter and six-month period ended April 30, 2016, certain amounts have been revised from those previously reported, including a reclassification between *Non-interest income* and *Net interest income* to better reflect the nature of the revenues.
(2) During the quarter ended April 30, 2017, the Bank recorded a $40 million reversal ($29 million net of income taxes) of the sectoral provision on non-impaired loans taken for the oil and gas producer and service company loan portfolio. For the quarter and six-month period ended April 30, 2016, the provisions for credit losses had included a $250 million ($183 million net of income taxes) sectoral provision on non-impaired loans recorded for the oil and gas producer and service company loan portfolio. Given the materiality of this sectoral provision, recorded in accordance with GAAP, net income excluding the impact of the sectoral provision has been presented to provide a better assessment of the segment's results.
(3) Net interest margin is calculated by dividing net interest income by average interest-bearing assets.

In the Personal and Commercial segment, net income totalled $233 million in the second quarter of 2017 compared to a net loss of $13 million in the second quarter of 2016. This change is mainly related to the sectoral provision on non-impaired loans for the oil and gas producer and service company loan portfolio, which was reversed by $29 million, net of income taxes, in the second quarter of 2017 compared to a $183 million provision, net of income taxes, recorded in the same quarter of 2016. Net income excluding the impact of the sectoral provision totalled $204 million, up $34 million or 20% from the second quarter of 2016. The segment's second-quarter total revenues increased by $36 million year over year owing to growth in net interest income, which rose $25 million, and to an $11 million increase in non-interest income. The higher net interest income came mainly from growth in personal and commercial loans and deposits and from a higher net interest margin, which was 2.24% in the second quarter of 2017 versus 2.21% in the second quarter of 2016.

Personal Banking's second-quarter total revenues rose $19 million year over year. This increase came mainly from growth in loan and deposit volumes, tempered by a narrowing of the net interest margin, as well as from an increase in insurance revenues. Commercial Banking's total revenues were up $17 million, mainly because net interest income increased owing to growth in loan and deposit volumes and to a higher net interest margin and because of an increase in revenues from foreign exchange activities.

The segment's non-interest expenses for the second quarter of 2017 increased by $9 million year over year, mainly because of increases in compensation and employee benefits and technology expenses related to business development. At 55.9%, the second-quarter efficiency ratio improved by 1.5 percentage points when compared to the second quarter of 2016. The segment's second-quarter provisions for credit losses were $6 million, $309 million less than in the same quarter of 2016. This decrease is essentially related to the sectoral provision, which was reversed by $40 million in the second quarter of 2017 compared to the $250 million provision recorded in the same quarter of 2016, as well as to lower provisions for credit losses on Commercial Banking loans.

For the six months ended April 30, 2017, the Personal and Commercial segment posted net income of $446 million, up from $167 million in the same period of 2016. Net income excluding the impact of the sectoral provision was $417 million for the first six months of 2017, up $67 million or 19% from the same period in 2016. The segment's total revenues grew 5%. The growth in Personal Banking's total revenues was driven by the same reasons provided for the quarter as well as by an increase in credit card revenues and by a gain realized in the first quarter of 2017 following a change to the distribution model for property and casualty insurance. Commercial Banking's total revenues were up owing to growth in loan and deposit volumes and to a higher net interest margin. This increase was partly offset by decreases in revenues from bankers' acceptances and in revenues from derivative financial instruments. For the six-month period ended April 30, 2017, non-interest expenses rose $5 million year over year, an increase attributable to the same reasons provided for the quarter. The segment's contribution increased $62 million or 10%. The segment's first-half provisions for credit losses were $319 million less than those recorded in the same period of 2016. This decrease is essentially related to the impact of the sectoral provision and to lower provisions for credit losses on Personal and Commercial Banking loans. At 55.2% for the six months ended April 30, 2017, the efficiency ratio improved by 2.3 percentage points when compared with the same six-month period of 2016.

Wealth Management

(millions of Canadian dollars)	Quarter ended April 30			Six months ended April 30		
	2017	2016[1]	% Change	**2017**	2016[1]	% Change
Operating results						
Net interest income	**102**	91	12	**206**	180	14
Fee-based revenues	**222**	192	16	**441**	388	14
Transaction-based and other revenues	**69**	70	(1)	**143**	141	1
Total revenues	**393**	353	11	**790**	709	11
Non-interest expenses	**258**	244	6	**517**	495	4
Contribution	**135**	109	24	**273**	214	28
Provisions for credit losses	**–**	2		**1**	3	
Income before income taxes	**135**	107	26	**272**	211	29
Income taxes	**36**	29	24	**72**	56	29
Net income	**99**	78	27	**200**	155	29
Specified items after income taxes[2]	**6**	6		**11**	13	
Net income excluding specified items[2]	**105**	84	25	**211**	168	26
Average assets	**11,382**	11,022	3	**11,340**	10,983	3
Average loans and acceptances	**9,687**	9,391	3	**9,621**	9,328	3
Net impaired loans	**4**	7		**4**	7	
Average deposits	**31,984**	27,857	15	**31,857**	27,257	17
Assets under administration and under management	**425,847**	367,656	16	**425,847**	367,656	16
Efficiency ratio excluding specified items[2]	**64.1 %**	67.3 %		**64.0 %**	67.7 %	

(1) For the quarter and six-month period ended April 30, 2016, certain amounts have been revised from those previously reported.
(2) See the Financial Reporting Method section on page 4 for additional information on non-GAAP financial measures.

In the Wealth Management segment, net income totalled $99 million in the second quarter of 2017, a 27% increase from $78 million in the same quarter of 2016. At $105 million in the second quarter of 2017, the segment's net income excluding specified items (with the specified items including the acquisition-related items of recent years) rose 25% from $84 million in the same quarter of 2016. The segment's second-quarter total revenues amounted to $393 million, up 11% from $353 million in the second quarter of 2016. This increase was mainly driven by growth in net interest income, owing to deposit growth and improved margins, and by fee-based revenues given net inflows in various solutions and a steady rise in stock market performance during the second quarter of 2017.

Non-interest expenses stood at $258 million in the second quarter of 2017, a 6% year-over-year increase driven mainly by higher variable compensation and external management fees associated with growth in the segment's business volume that generated higher revenues as well as by an increase in operations support charges. The efficiency ratio excluding specified items was 64.1% in the second quarter of 2017, an improvement of 3.2 percentage points from the same quarter of 2016.

For the six months ended April 30, 2017, the Wealth Management segment's net income totalled $200 million, up 29% from $155 million in the same six-month period of 2016. Net income excluding specified items totalled $211 million for the first six months, up $43 million or 26% from the same period of 2016. The segment's first-half total revenues amounted to $790 million compared to $709 million in the first half of 2016. This increase came from growth in net interest income and from higher fee-based revenues given net inflows in various solutions and a steady rise in stock market performance. Transaction-based and other revenues also grew, rising $2 million year over year. For the six months ended April 30, 2017, the segment's non-interest expenses stood at $517 million, an increase from $495 million in the same six-month period of 2016 owing to the same reasons provided for the quarter. At 64.0% for the first six months of fiscal 2017, the efficiency ratio improved from 67.7% in the same six-month period of 2016.

Assets under administration and under management increased by $58.2 billion or 16% due to net inflows in various solutions and to a steady rise in stock market performance.

Financial Markets

(taxable equivalent basis)[1] (millions of Canadian dollars)	Quarter ended April 30			Six months ended April 30		
	2017	2016[2]	% Change	2017	2016[2]	% Change
Operating results						
Trading activity revenues						
Equities	115	128	(10)	247	235	5
Fixed-income	77	43	79	158	108	46
Commodities and foreign exchange	23	27	(15)	64	71	(10)
	215	198	9	469	414	13
Financial market fees	78	71	10	150	121	24
Gains (losses) on available-for-sale securities, net	25	5		34	4	
Banking services	81	75	8	162	147	10
Other	5	9	(44)	8	(144)	
Total revenues on a taxable equivalent basis	404	358	13	823	542	52
Non-interest expenses	165	155	6	335	299	12
Contribution on a taxable equivalent basis	239	203	18	488	243	101
Provisions for credit losses	–	–		–	–	
Income before income taxes on a taxable equivalent basis	239	203	18	488	243	101
Income taxes on a taxable equivalent basis	64	54	19	130	90	44
Net income	175	149	17	358	153	134
Specified items after income taxes[3]	–	–		–	145	
Net income excluding specified items[3]	175	149	17	358	298	20
Average assets	98,210	81,841	20	97,495	83,739	16
Average loans and acceptances (Corporate Banking only)	12,546	11,863	6	12,644	11,797	7
Average deposits	20,266	13,813	47	20,559	14,725	40
Efficiency ratio excluding specified items[3]	40.8 %	43.3 %		40.7 %	42.4 %	

(1) See Note 23 to the consolidated financial statements.
(2) For the quarter and six-month period ended April 30, 2016, certain amounts have been revised from those previously reported, notably amounts related to the Credigy Ltd. subsidiary, which are now reported in the USSF&I segment.
(3) See the Financial Reporting Method section on page 4 for additional information on non-GAAP financial measures.

In the Financial Markets segment, net income totalled $175 million in the second quarter of 2017 compared to $149 million in the same quarter of 2016, and total revenues on a taxable equivalent basis amounted to $404 million compared to $358 million in the second quarter of 2016. Second-quarter trading activity revenues were up 9% year over year, mainly due to an increase in revenues from fixed-income securities, which rose 79%, whereas revenues from equity securities and commodity and foreign exchange revenues were down 10% and 15%, respectively. Revenues from financial market fees increased, rising 10% compared to the second quarter of 2016, and banking service revenues rose 8% year over year. Greater gains on available-for-sale securities were recorded during the second quarter of 2017 compared to the second quarter of 2016. As for the segment's other revenues, they were down when compared to the second quarter of 2016.

The segment's non-interest expenses for the second quarter of 2017 stood at $165 million, a $10 million year-over-year increase resulting mainly from higher variable compensation associated with revenue growth and from higher operations support charges. At 40.8%, the second-quarter efficiency ratio excluding specified items improved by 2.5 percentage points compared to the same quarter of 2016. Provisions for credit losses were nil for both the second quarters of 2017 and 2016.

For the six months ended April 30, 2017, the segment's net income totalled $358 million, up $205 million from the same six-month period in 2016. This increase is partly explained by the Bank's write-off of its equity interest in associate Maple during the first quarter of 2016. Furthermore, the segment's first-half trading activity revenues increased by 13%, mainly due to higher revenues from equity securities and fixed-income securities, which rose 5% and 46%, respectively. First-half revenues from financial market fees were also up, rising 24% compared to the first six months of 2016, and first-half banking service revenues rose 10% year over year. Greater gains on available-for-sale securities were recorded during the first six months of 2017 compared to the same period of 2016. Excluding the write-off of the equity interest in associate Maple recorded in the first quarter of 2016, net income excluding specified items increased by 20%.

For the six months ended April 30, 2017, non-interest expenses increased year over year owing to the same reasons provided for the quarter. The segment did not record any provisions for credit losses for the six months ended April 30, 2017 and 2016.

U.S. Specialty Finance and International

(millions of Canadian dollars)	Quarter ended April 30			Six months ended April 30		
	2017	2016[1]	% Change	**2017**	2016[1]	% Change
Operating results						
Net interest income	**48**	7		**90**	14	
Non-interest income	**74**	69	7	**150**	170	(12)
Total revenues	**122**	76	61	**240**	184	30
Credigy	**91**	71	28	**181**	174	4
International[2]	**31**	5		**59**	10	
Non-interest expenses	**55**	41	34	**111**	89	25
Credigy	**39**	40	(3)	**82**	87	(6)
International[2]	**16**	1		**29**	2	
Contribution	**67**	35	91	**129**	95	36
Provisions for credit losses	**10**	–		**17**	–	
Income before income taxes	**57**	35	63	**112**	95	18
Income taxes	**17**	13	31	**34**	33	3
Net income	**40**	22	82	**78**	62	26
Non-controlling interests	**8**	4	100	**14**	12	17
Net income attributable to the Bank's shareholders	**32**	18	78	**64**	50	28
Average assets	**6,799**	5,010	36	**6,726**	4,681	44
Average loans and receivables	**5,269**	3,370	56	**4,997**	2,941	70
Average other revenue-bearing assets	**578**	1,235	(53)	**691**	1,331	(48)
Average deposits	**1,225**			**1,173**		
Efficiency ratio	**45.1 %**	53.9 %		**46.3 %**	48.4 %	

(1) The amounts presented for the quarter and six-month period ended April 30, 2016 are consistent with the segment disclosure presentation adopted by the Bank for the fiscal year beginning November 1, 2016.
(2) Includes the ABA Bank subsidiary and other international investments.

In the U.S. Specialty Finance and International segment, net income totalled $40 million in the second quarter of 2017 compared to $22 million in the same quarter of 2016. The segment's second-quarter total revenues amounted to $122 million compared to $76 million in the second quarter of 2016; this increase is attributable to the revenues of ABA Bank, which have been consolidated into the Bank's results since the third quarter of 2016. In addition, the second-quarter revenues from Credigy Ltd. were up $20 million year over year, mainly due to a $16 million increase in net interest income in the second quarter of 2017.

At $55 million, the segment's non-interest expenses for the second quarter of 2017 were up $14 million year over year, as the results of ABA Bank have been consolidated into the Bank's results since the third quarter of 2016. The segment's second-quarter provisions for credit losses were $10 million, mainly due to the provisions for credit losses recorded for the Credigy Ltd. subsidiary.

For the six months ended April 30, 2017, the segment generated net income of $78 million compared to $62 million in the same six-month period of 2016. As for first-half total revenues, they amounted to $240 million compared to $184 million in the same six-month period last year, for an increase that is attributable to the same reasons provided above for the quarter.

Non-interest expenses for the six months ended April 30, 2017 stood at $111 million, a $22 million year-over-year increase that was primarily due to the ABA Bank subsidiary. The segment's first-half provisions for credit losses were $17 million, mainly due to the provisions for credit losses recorded for the Credigy Ltd. subsidiary.

Other

(taxable equivalent basis)[1] (millions of Canadian dollars)	Quarter ended April 30		Six months ended April 30	
	2017	2016[2]	**2017**	2016[2]
Operating results				
Net interest income	**(35)**	(33)	**(57)**	(71)
Non-interest income	**32**	50	**70**	60
Total revenues on a taxable equivalent basis	**(3)**	17	**13**	(11)
Non-interest expenses	**53**	35	**125**	79
Contribution on a taxable equivalent basis	**(56)**	(18)	**(112)**	(90)
Provisions for credit losses[3]	**40**	–	**40**	–
Income before income taxes on a taxable equivalent basis	**(96)**	(18)	**(152)**	(90)
Income taxes (recovery) on a taxable equivalent basis	**(33)**	8	**(51)**	(24)
Net loss	**(63)**	(26)	**(101)**	(66)
Non-controlling interests	**14**	13	**27**	27
Net loss attributable to the Bank's shareholders	**(77)**	(39)	**(128)**	(93)
Specified items after income taxes[4]	**2**	21	**2**	35
Net loss excluding specified items[4]	**(61)**	(5)	**(99)**	(31)
Average assets	**38,887**	40,879	**37,654**	40,519

(1) See Note 23 to the consolidated financial statements.
(2) For the quarter and six-month period ended April 30, 2016, certain amounts have been revised from those previously reported, notably amounts related to the ABA Bank subsidiary and the other international investments that are now reported in the USSF&I segment.
(3) For the quarter and six-month period ended April 30, 2017, the $40 million in provisions for credit losses constitutes an increase in the collective allowance for credit risk on non-impaired loans.
(4) See the Financial Reporting Method section on page 4 for additional information on non-GAAP financial measures.

For the *Other* heading of segment results, there was a net loss of $63 million in the second quarter of 2017 compared to a net loss of $26 million in the same quarter of 2016. This change essentially reflects a $40 million increase ($29 million net of income taxes) in the collective allowance on non-impaired loans for credit risk resulting from growth in the Bank's overall credit portfolio in addition to higher non-interest expenses and a lower contribution from treasury activities. The higher second-quarter non-interest expenses, which rose $18 million year over year, were due to compensation and employee benefits, in particular the costs of pension plans and variable compensation. For the second quarter of 2016, the net loss had also included an $18 million tax provision to reflect the impact of changes to tax measures. Net loss excluding specified items stood at $61 million in the second quarter of 2017 compared to a net loss excluding specified items of $5 million in the same quarter of 2016.

For the six months ended April 30, 2017, net loss stood at $101 million compared to a net loss of $66 million in the same six-month period of 2016. These losses were attributable to the same reasons provided for the quarter, except for the contribution from treasury activities, which was higher in the first half of 2017 than in first-half 2016. Furthermore, the 2016 first-half loss had also included the Bank's share in the charges related to its interest in TMX, particularly an amount of $13 million, net of income taxes, in goodwill and intangible asset impairment losses.

Consolidated Balance Sheet

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

Consolidated Balance Sheet Summary

(millions of Canadian dollars)	As at April 30, 2017	As at October 31, 2016[1]	% Change
Assets			
Cash and deposits with financial institutions	9,770	8,183	19
Securities	65,093	64,541	1
Securities purchased under reverse repurchase agreements and securities borrowed	17,481	13,948	25
Loans and acceptances (net of allowances for credit losses)	129,765	126,178	3
Other	16,911	19,356	(13)
	239,020	232,206	3
Liabilities and equity			
Deposits	151,160	142,066	6
Other	75,167	77,026	(2)
Subordinated debt	10	1,012	(99)
Equity attributable to the Bank's shareholders	11,885	11,292	5
Non-controlling interests	798	810	(1)
	239,020	232,206	3

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

Assets

As at April 30, 2017, the Bank had total assets of $239.0 billion compared to $232.2 billion as at October 31, 2016, a $6.8 billion or 3% increase. Cash and deposits with financial institutions, totalling $9.8 billion as at April 30, 2017, rose $1.6 billion, mainly due to deposits with financial institutions. Securities increased by $0.6 billion since October 31, 2016, particularly due to an increase in held-to-maturity securities and securities at fair value through profit or loss, partly offset by a decrease in available-for-sale securities. Securities purchased under reverse repurchase agreements and securities borrowed also increased, rising $3.6 billion since October 31, 2016.

As at April 30, 2017, loans and acceptances, net of allowances for credit losses, increased by $3.6 billion since October 31, 2016 owing essentially to growth in Credigy Ltd.'s lending activities and to an increase in loans to businesses. The following table provides a breakdown of the main loan and acceptance portfolios.

(millions of Canadian dollars)	As at April 30, 2017	As at October 31, 2016	As at April 30, 2016
Loans and acceptances			
Consumer	33,252	31,787	30,855
Residential mortgage	49,672	48,868	45,096
Credit card receivables	2,190	2,177	2,080
Business and government	45,413	44,127	43,922
	130,527	126,959	121,953

Consumer loans increased by 5% since October 31, 2016, mainly due to growth at the Credigy Ltd. subsidiary. Rising 2% since October 31, 2016, residential mortgages were also up, with the growth coming from the activities of Personal Banking and the ABA Bank subsidiary. Loans and acceptances to businesses were up $1.3 billion since October 31, 2016. When compared to a year ago, loans and acceptances increased by $8.5 billion or 7%. Consumer loans, residential mortgages and credit card receivables increased by 8%, 10% and 5% respectively, from a year ago and owing to the same reasons provided for the year-to-date changes. Loans and acceptances to businesses also contributed to the growth, rising 3% from a year ago.

As at April 30, 2017, derivative financial instruments amounted to $8.7 billion, a decrease of $1.7 billion since October 31, 2016. This change should be analyzed along with the derivative financial instruments presented in liabilities, which, at $6.7 billion, were down $1.0 billion, resulting in a net decrease of $0.7 billion since October 31, 2016.

Liabilities

As at April 30, 2017, the Bank had total liabilities of $226.3 billion compared to $220.1 billion as at October 31, 2016.

As at April 30, 2017, the Bank's total deposit liability was $151.2 billion versus $142.1 billion as at October 31, 2016, an increase of $9.1 billion or 6%. The following table provides a breakdown of total personal savings.

(millions of Canadian dollars)	**As at April 30, 2017**	As at October 31, 2016[1]	As at April 30, 2016[1]
Balance sheet			
Deposits	**53,606**	52,521	50,080
Off-balance-sheet			
Brokerage	**120,363**	117,157	107,900
Mutual funds	**30,939**	28,706	26,707
Other	**418**	463	707
	151,720	146,326	135,314
Total personal savings	**205,326**	198,847	185,394

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

At $53.6 billion as at April 30, 2017, personal deposits increased by $1.1 billion or 2% since October 31, 2016. Since the beginning of the fiscal year, personal savings included in assets under administration and under management increased $5.4 billion or 4% essentially due to net inflows in various solutions and to a steady rise in stock market performance. From a year ago, personal deposits rose $3.5 billion or 7% as a result of growth in Personal Banking and the acquisition of the ABA Bank subsidiary, and personal savings included in assets under administration and under management rose $16.4 billion or 12%.

At $92.4 billion, business and government deposits rose $8.5 billion since October 31, 2016. This increase came mainly from growth in banking and governmental activities, new issuances of structured notes, term deposits and an issuance of new bearer deposit notes. Other funding activities decreased $1.8 billion since October 31, 2016, essentially due to decreases in acceptances and obligations related to securities sold short, partly offset by an increase in obligations related to securities sold under repurchase agreements and securities loaned. Subordinated debt decreased by $1.0 billion as the result of an early redemption, in April 2017, of medium-term notes maturing on April 11, 2022.

Equity

As at April 30, 2017, the Bank's equity amounted to $12.7 billion, rising $0.6 billion from October 31, 2016. This increase was essentially driven by an increase in retained earnings attributable to net income, net of dividends, and by common share issuances under the stock option plan.

As at May 26, 2017, there were 341,518,437 common shares and 15,268,191 stock options outstanding. For additional information on share capital, see Note 19 to the audited annual consolidated financial statements for the year ended October 31, 2016 and Note 13 to the consolidated financial statements of this quarter.

Event After the Consolidated Balance Sheet Date

Repurchase of Common Shares

On May 30, 2017, the Board of Directors of the Bank approved a normal course issuer bid to repurchase for cancellation up to 6,000,000 common shares over the 12-month period between June 5, 2017 and June 4, 2018. This issuer bid is subject to the approval of OSFI and the Toronto Stock Exchange.

Related Party Transactions

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

Securitization and Off-Balance-Sheet Arrangements

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

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

Income Taxes

During the quarter ended April 30, 2017, the Canada Revenue Agency (CRA) issued a proposed reassessment to the Bank for the 2011 and 2012 taxation years. In May 2017, the CRA reassessed the Bank for the 2012 taxation year. The transactions to which the proposed reassessment and the actual reassessment relate are similar to those prospectively addressed by the synthetic equity arrangement rules introduced in the 2015 Canadian federal budget. The proposed reassessment and the actual reassessment (including estimated provincial income taxes and interest) total approximately $173 million. The CRA may issue reassessments to the Bank in respect of similar activities for fiscal years subsequent to 2012. The Bank is confident that its tax position was appropriate and intends to vigorously defend its position. As a result, no amount has been recognized in the consolidated financial statements.

Contingent Liabilities

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

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

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

ACCOUNTING POLICIES AND FINANCIAL DISCLOSURE

Accounting Policies and Critical Accounting Estimates

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

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

On November 1, 2016, the Bank reclassified certain Personal and Commercial segment revenues in the Consolidated Statement of Income to better reflect the nature of the revenues reported. As a result, for the quarter ended April 30, 2016, an amount of $6 million reported in *Non-interest income – Credit fees* was reclassified to *Interest income – Loans* ($16 million for the six-month period ended April 30, 2016).

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

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

Future Accounting Policy Changes

The Bank closely monitors both new accounting standards and amendments to existing accounting standards issued by the IASB. The Bank is currently assessing how adoption of new and amended IASB accounting standards will impact the consolidated financial statements. There are no significant updates to the future accounting policy changes disclosed in Note 2 to the audited annual consolidated financial statements for the year ended October 31, 2016, as well as in the Future Accounting Policy Changes section on pages 87 to 89 of the *2016 Annual Report*, except as noted below:

IFRS 9 – *Financial Instruments*

The IFRS 9 project is proceeding according to the implementation schedule. For the remainder of the year, the Bank expects to complete a parallel run, refine and validate new impairment models, finalize governance and control frameworks applicable to new processes, complete documentation of updated accounting policies, and continue to provide educational sessions to affected internal stakeholders.

On March 29, 2017, the Basel Committee on Banking Supervision (BCBS) released details of the interim regulatory treatment of accounting provisions as well as standards for transitional arrangements. These measures were issued in anticipation of IFRS 9 adoption, which incorporates forward-looking assessments in the estimation of credit losses. Given the imminent coming into effect of IFRS 9, the BCBS will retain the current Basel Accord regulatory treatment for provisions during a transition period. Jurisdictions may adopt transitional measures to phase in any potential significant negative impacts on regulatory capital arising from the new expected credit loss impairment model under IFRS 9. OSFI has not yet released a guideline on this development.

IFRS 17 – *Insurance Contracts*

In May 2017, the IASB issued IFRS 17 – *Insurance Contracts*, a new standard that replaces IFRS 4, the current insurance contract accounting standard. IFRS 17 introduces a new accounting framework that will improve comparability and quality of financial information. IFRS 17 is effective for annual periods beginning on or after January 1, 2021, which will be November 1, 2021 for the Bank.

Financial Disclosure

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

ADDITIONAL FINANCIAL DISCLOSURE

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

The Bank does not market any specific mortgage financing program to subprime or Alt-A clients. Subprime loans are generally defined as loans granted to borrowers with a higher credit risk profile than prime borrowers, and the Bank does not grant this type of loan. Alt-A loans are granted to borrowers who cannot provide standard proof of income. The Bank's Alt-A loan volume was $448 million as at April 30, 2017 ($483 million as at October 31, 2016).

The Bank does not have any significant direct position in residential and commercial mortgage-backed securities that are not insured by the Canada 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 April 30, 2017, total commitments for this type of loan stood at $2,854 million ($2,694 million as at October 31, 2016). 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 *2016 Annual Report*, in this *Report to Shareholders*, and in the documents entitled *Supplementary Regulatory Capital Disclosure for the Second Quarter Ended April 30, 2017,* and *Supplementary Financial Information for the Second Quarter Ended April 30, 2017*, which are available on the Bank's website at nbc.ca. In addition, on the following page is a table of contents to help users locate information relative to the 32 recommendations.

Risk Disclosures

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

		Pages		
		2016 Annual Report	Report to Shareholders(1)	Supplementary Regulatory Capital Disclosure(1)
General				
1	Location of risk disclosures	7	19	
	Management's Discussion and Analysis	39 to 82, 94 and 98	20 to 38	
	Consolidated Financial Statements	Notes 1, 7, 17, 24 and 30	Notes 6 and 15	
	Supplementary Regulatory Capital Disclosure			4 to 29
2	Risk terminology and risk measures	48 to 82		
3	Top and emerging risks	48 and 49		
4	New key regulatory ratios	40 to 42, 71 and 76	20 and 21, 30, 33 and 60	
Risk governance and risk management				
5	Risk management organization, processes and key functions	51 to 65		
6	Risk management culture	51 and 52		
7	Key risks by business segment, risk management and risk appetite	47, 51 and 52		
8	Stress testing	39, 52, 60 and 69 to 73		
Capital adequacy and risk-weighted assets (RWA)				
9	Minimum Pillar 1 capital requirements	40 to 42	20 and 21	
10	Reconciliation of the accounting balance sheet to the regulatory balance sheet			4 to 7
11	Movements in regulatory capital	44	22	
12	Capital planning	39 to 47		
13	RWA by business segment and by risk type	45 and 47	23	8
14	Capital requirements by risk and RWA calculation method	45 and 56 to 60	23	8
15	Banking book credit risk	45	23	8 and 11 to 16
16	Movements in RWA by risk type	46	24	9
17	Assessment of credit risk model performance	55, 58 and 67		11 to 17
Liquidity				
18	Liquidity management and components of the liquidity buffer	71 to 77	30 to 34	
Funding				
19	Summary of encumbered and unencumbered assets	74 and 75	32	
20	Residual contractual maturities of balance sheet items and off-balance-sheet commitments	183 to 187	35 to 38	
21	Funding strategy and funding sources	77 to 79	34	
Market risk				
22	Linkage of market risk measures to balance sheet	65 and 66	27 and 28	
23	Market risk factors	64, 67 to 70, 170 to 172	28 to 30	
24	VaR: Assumptions, limitations and validation procedures	67 to 69		
25	Stress tests, stressed VaR and backtesting	67 to 70		
Credit risk				
26	Credit risk exposures	59, 63 and 141 to 144	26 and 54 to 56	10 to 24 and 19 to 25(2)
27	Policies for identifying impaired loans	61, 114 and 115		
28	Movements in impaired loans and allowances for credit losses	94, 98 and 141 to 144	54 to 56	20
29	Counterparty credit risk relating to derivatives transactions	61, 62 and 154 to 156		25 and 26
30	Credit risk mitigation	60 to 62		22 and 24
Other risks				
31	Other risks: Governance, measurement and management	50 and 80 to 82		
32	Publicly known risk events	80	No risk event	

(1) For the second quarter ended April 30, 2017.
(2) These pages are included in the document entitled *Supplementary Financial Information for the Second Quarter Ended April 30, 2017.*

CAPITAL MANAGEMENT

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

Basel Accord

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

Consequently, the Bank and all other major Canadian banks have to maintain, on an "all-in" basis, 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 of these ratios are to include a capital conservation buffer of 2.5% and a 1% surcharge applicable to Domestic Systemically Important Banks (D-SIBs).

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

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

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

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

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

Regulatory Developments

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

On March 15, 2017, the BCBS issued the revised, second version of the consultative document entitled *Identification and Measurement of Step-In Risk,* which assesses 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 from the shadow banking system.

On March 29, 2017, the BCBS issued *Regulatory Treatment of Accounting Provisions – Interim Approach and Transitional Arrangements.* This document was issued in anticipation of IFRS 9 adoption, which will require provisions to be recognized according to expected credit losses rather than incurred losses, as required by the current standard. Given the imminent coming into effect of IFRS 9, the BCBS will retain the current Basel Accord regulatory treatment for provisions during a transition period. Jurisdictions may adopt transitional measures to phase in any potential significant negative impacts on regulatory capital arising from the new expected credit loss impairment model under IFRS 9. OSFI has not yet released a guideline on this development.

On April 20, 2017, OSFI issued the final version of the *Pillar 3 Disclosure Requirements* guideline. This guideline, applicable to D-SIBs, defines OSFI's expectations regarding implementation in Canada of the standards issued by the BCBS in January 2015. This guideline is effective October 31, 2018.

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

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

	Regulatory ratios		Minimum regulatory ratios to be maintained	
	As at April 30, 2017	As at October 31, 2016	BCBS 2017 (1)	OSFI 2017 (1)(2)
Capital ratios				
CET1	**10.8 %**	10.1 %	5.75 %	8.0 %
Tier 1	**14.2 %**	13.5 %	7.25 %	9.5 %
Total	**14.5 %**	15.3 %	9.25 %	11.5 %
Leverage ratio	**3.8 %**	3.7 %	n.a.	3.0 %

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

Management Activities

On April 11, 2017, the Bank redeemed $1.0 billion of medium-term notes maturing on April 11, 2022 at a price equal to their nominal value plus accrued interest.

On May 30, 2017, the Board of Directors of the Bank approved a normal course issuer bid to repurchase for cancellation up to 6,000,000 common shares over the 12-month period between June 5, 2017 and June 4, 2018. This issuer bid is subject to the approval of OSFI and the Toronto Stock Exchange.

Movement in Regulatory Capital(1)

(millions of Canadian dollars)	Six months ended April 30, 2017
Common Equity Tier 1 (CET1) capital	
Balance at beginning	6,865
Issuance of common shares (including Stock Option Plan)	149
Repurchase of common shares	–
Contributed surplus	(16)
Dividends on preferred and common shares	(421)
Net income attributable to the Bank's shareholders	940
Removal of own credit spread net of income taxes	11
Other	(61)
Movements in accumulated other comprehensive income	
Translation adjustments	25
Available-for-sale securities	22
Other	–
Change in goodwill and intangible assets (net of related tax liability)	(39)
Other, including regulatory adjustments and transitional arrangements	
Change in defined benefit pension plan asset (net of related tax liability)	–
Change in amount exceeding 15% threshold	
Deferred tax assets	–
Significant investment in common shares of financial institutions	–
Change in other regulatory adjustments(2)	(5)
Balance at end	7,470
Additional Tier 1 capital	
Balance at beginning	2,400
New Tier 1 eligible capital issuances	–
Redeemed capital	–
Change in non-qualifying Additional Tier 1 subject to phase-out	–
Other, including regulatory adjustments and transitional arrangements	1
Balance at end	2,401
Total Tier 1 capital	9,871
Tier 2 capital	
Balance at beginning	1,241
New Tier 2 eligible capital issuances	–
Redeemed capital	(1,000)
Change in non-qualifying Tier 2 subject to phase-out	1
Tier 2 instruments issued by subsidiaries and held by third parties	–
Change in certain loan loss allowances	(26)
Other, including regulatory adjustments and transitional arrangements	–
Balance at end	216
Total regulatory capital	10,087

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

Risk-Weighted Assets by Key Risk Drivers

CET1 risk-weighted assets (RWA) amounted to $69.4 billion as at April 30, 2017, rising $1.2 billion from $68.2 billion as at October 31, 2016. This organic growth in RWA was partly offset by the 2017 first-quarter repayment of the restructured notes of the master asset vehicle (MAV) conduits.

Capital Adequacy Under Basel III(1)

(millions of Canadian dollars)	As at April 30, 2017						As at October 31, 2016
	Exposure at default	Risk-weighted assets				Capital requirement(2)	Risk-weighted assets
		Standardized Approach	AIRB Approach	Other Approach	Total		Total
Credit risk							
Retail							
Residential mortgages	44,734	868	4,604	–	5,472	438	5,455
Qualifying revolving retail	5,844	–	1,190	–	1,190	95	1,178
Other retail	16,448	2,486	5,115	–	7,601	608	6,823
Non-retail							
Corporate	61,585	1,673	26,137	–	27,810	2,225	27,393
Sovereign	26,813	264	627	–	891	71	875
Financial institutions	5,164	241	1,398	–	1,639	131	1,574
Banking book equities(3)	872	–	872	–	872	70	875
Securitization	4,836	–	402	–	402	32	831
Other assets	24,583	–	–	3,232	3,232	259	3,176
Counterparty credit risk							
Corporate	13,603	57	181	–	238	19	347
Sovereign	35,374	–	32	–	32	3	34
Financial institutions	52,533	–	510	–	510	41	402
Trading portfolio	9,129	192	1,991	–	2,183	175	2,345
Credit valuation adjustment charge(4)		2,159	–	–	2,159	173	2,055
Regulatory scaling factor		–	2,624	–	2,624	210	2,540
Total – Credit risk	301,518	7,940	45,683	3,232	56,855	4,550	55,903
Market risk							
VaR		–	962	–	962	77	1,014
Stressed VaR		–	1,086	–	1,086	87	1,067
Interest-rate-specific risk		720	–	–	720	58	726
Total – Market risk		720	2,048	–	2,768	222	2,807
Operational risk		9,760	–	–	9,760	781	9,495
Total	301,518	18,420	47,731	3,232	69,383	5,553	68,205

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

Risk-Weighted Assets Movement by Key Drivers[1]

(millions of Canadian dollars)				Quarter ended
			April 30, 2017	January 31, 2017
	Non-counterparty credit risk	Counterparty credit risk[2]	Total	Total
Credit risk – Risk-weighted assets at beginning	50,250	4,898	55,148	55,903
Book size	850	39	889	455
Book quality	70	106	176	(832)
Model updates	–	–	–	–
Methodology and policy	–	–	–	–
Acquisitions and disposals	–	–	–	–
Foreign exchange movements	563	79	642	(378)
Credit risk – Risk-weighted assets at end	51,733	5,122	56,855	55,148
Market risk – Risk-weighted assets at beginning			3,815	2,807
Movement in risk levels[3]			(1,047)	1,008
Model updates			–	–
Methodology and policy			–	–
Acquisitions and disposals			–	–
Market risk – Risk-weighted assets at end			2,768	3,815
Operational risk – Risk-weighted assets at beginning			9,611	9,495
Movement in risk levels			149	116
Acquisitions and disposals			–	–
Operational risk – Risk-weighted assets at end			9,760	9,611
Risk-weighted assets at end			69,383	68,574

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

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

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

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

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

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

Regulatory Capital Ratios

As at April 30, 2017, the Bank's CET1, Tier 1 and Total capital ratios were, respectively, 10.8%, 14.2% and 14.5%, i.e., above the regulatory requirements, compared to ratios of, respectively, 10.1%, 13.5% and 15.3% as at October 31, 2016. The increases in the CET1 and Tier 1 capital ratios stem essentially from net income, net of dividends, from common share issuances under the stock option plan, and from the 2017 first-quarter repayment of the restructured notes of the MAV conduits. The decrease in the Total capital ratio is a result of the April 11, 2017 redemption of medium-term notes maturing on April 11, 2022. As at April 30, 2017, the leverage ratio was 3.8% compared to 3.7% as at October 31, 2016.

Regulatory Capital and Ratios Under Basel III(1)

(millions of Canadian dollars)	As at April 30, 2017	As at October 31, 2016
Capital		
CET1	7,470	6,865
Tier 1	9,871	9,265
Total	10,087	10,506
Risk-weighted assets		
CET1 capital	69,383	68,205
Tier 1 capital	69,533	68,430
Total capital	69,653	68,623
Total exposure	262,382	253,097
Capital ratios		
CET1	10.8 %	10.1 %
Tier 1	14.2 %	13.5 %
Total	14.5 %	15.3 %
Leverage ratio	3.8 %	3.7 %

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

Dividends

On May 30, 2017, the Board of Directors declared regular dividends on the various series of first preferred shares and a dividend of 58 cents per common share, up 2 cents or 3.6%, payable on August 1, 2017 to shareholders of record on June 26, 2017.

RISK MANAGEMENT

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

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

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

Credit Risk

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

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

Maximum Credit Risk Exposure Under the Basel Asset Categories

(millions of Canadian dollars)						As at April 30, 2017	As at October 31, 2016
	Drawn	Undrawn commitments	Repo-style transactions(1)	OTC derivatives	Other off-balance-sheet items(2)	Total	Total
Retail							
Residential mortgages	38,588	6,146	–	–	–	44,734	46,578
Qualifying revolving retail	2,772	3,072	–	–	–	5,844	5,716
Other retail	14,990	1,370	–	–	88	16,448	15,374
	56,350	10,588	–	–	88	67,026	67,668
Non-retail							
Corporate	42,130	16,610	13,583	20	2,845	75,188	72,707
Sovereign	22,962	3,712	35,058	316	139	62,187	57,713
Financial institutions	4,214	227	52,107	426	723	57,697	42,094
	69,306	20,549	100,748	762	3,707	195,072	172,514
Trading portfolio	–	–	–	9,129	–	9,129	9,623
Securitization	–	–	–	–	4,836	4,836	4,068
Total – Gross Credit Risk	125,656	31,137	100,748	9,891	8,631	276,063	253,873
Standardized Approach	10,968	76	2,354	230	485	14,113	13,802
AIRB Approach	114,688	31,061	98,394	9,661	8,146	261,950	240,071
Total – Gross Credit Risk	125,656	31,137	100,748	9,891	8,631	276,063	253,873

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

In order to meet OSFI's mortgage loan disclosure requirements, additional information has been provided in *Supplementary Financial Information for the Second Quarter Ended April 30, 2017* and in *Supplementary Regulatory Capital Disclosure for the Second Quarter Ended April 30, 2017,* which are available on the Bank's website at nbc.ca.

Market Risk

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

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

Reconciliation of Market Risk With Consolidated Balance Sheet Items

(millions of Canadian dollars)					As at April 30, 2017
		Market risk measures			
	Balance sheet	Trading(1)	Non-Trading(2)	Not subject to market risk	Non-traded risk primary risk sensitivity
Assets					
Cash and deposits with financial institutions	9,770	153	9,308	309	Interest rate(3)
Securities					
At fair value through profit or loss	46,996	46,237	759	–	Interest rate(3)
Available-for-sale	10,662	–	10,662	–	Interest rate(3) and equity(4)
Held-to-maturity	7,435	–	7,435	–	Interest rate(3)
Securities purchased under reverse repurchase agreements and securities borrowed	17,481	–	17,481	–	Interest rate(3)(5)
Loans, net of allowances	123,833	6,228	117,605	–	Interest rate(3)
Customers' liability under acceptances	5,932	–	5,932	–	Interest rate(3)
Derivative financial instruments	8,746	7,800	946	–	Interest rate and exchange rate
Purchased receivables	1,723	–	1,723	–	Interest rate
Defined benefit asset	59	–	59	–	Other
Other	6,383	–	–	6,383	
	239,020	60,418	171,910	6,692	
Liabilities					
Deposits	151,160	5,384	145,776	–	Interest rate(3)
Acceptances	5,932	–	5,932	–	Interest rate(3)
Obligations related to securities sold short	12,177	12,177	–	–	
Obligations related to securities sold under repurchase agreements and securities loaned	25,118	–	25,118	–	Interest rate(3)(5)
Derivative financial instruments	6,657	6,020	637	–	Interest rate and exchange rate
Liabilities related to transferred receivables	20,156	4,299	15,857	–	Interest rate(3)
Defined benefit liability	304	–	304	–	Other
Other	4,823	37	1,342	3,444	Interest rate(3)
Subordinated debt	10	–	10	–	Interest rate(3)
	226,337	27,917	194,976	3,444	

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

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

		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	8,183	181	7,580	422	Interest rate[3]
Securities					
At fair value through profit or loss	45,964	44,545	1,419	–	Interest rate[3] and other[4]
Available-for-sale	14,608	–	14,608	–	Interest rate[3] and equity[5]
Held-to-maturity	3,969	–	3,969	–	Interest rate[3]
Securities purchased under reverse repurchase agreements and securities borrowed	13,948	–	13,948	–	Interest rate[3][6]
Loans, net of allowances	119,747	6,454	113,293	–	Interest rate[3]
Customers' liability under acceptances, net of allowances	6,431	–	6,431	–	Interest rate[3]
Derivative financial instruments	10,416	9,195	1,221	–	Interest rate[7] and exchange rate
Purchased receivables	1,858	–	1,858	–	Interest rate
Defined benefit asset	48	–	48	–	Other[8]
Other	7,034	–	–	7,034	
	232,206	60,375	164,375	7,456	
Liabilities					
Deposits[9]	142,066	4,826	137,240	–	Interest rate[3]
Acceptances	6,441	–	6,441	–	Interest rate[3]
Obligations related to securities sold short	14,207	14,207	–	–	
Obligations related to securities sold under repurchase agreements and securities loaned	22,636	–	22,636	–	Interest rate[3][6]
Derivative financial instruments	7,725	6,818	907	–	Interest rate[7] and exchange rate
Liabilities related to transferred receivables	20,131	4,378	15,753	–	Interest rate[3]
Defined benefit liability	314	–	314	–	Other[8]
Other[9]	5,572	43	1,346	4,183	Interest rate[3]
Subordinated debt	1,012	–	1,012	–	Interest rate[3]
	220,104	30,272	185,649	4,183	

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

Trading Activities

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

VaR of Trading Portfolios by Risk Category[1]

(millions of Canadian dollars)

	Quarter ended								Six months ended	
	April 30, 2017				January 31, 2017		April 30, 2016		**April 30, 2017**	April 30, 2016
	Low	**High**	**Average**	**Period end**	Average	Period end	Average	Period end	**Average**	Average
Interest rate	**(3.2)**	**(6.4)**	**(4.2)**	**(3.4)**	(5.7)	(6.4)	(4.3)	(3.6)	**(4.9)**	(4.7)
Exchange rate	**(1.7)**	**(3.1)**	**(2.4)**	**(2.4)**	(2.7)	(1.9)	(3.8)	(2.8)	**(2.5)**	(3.3)
Equity	**(2.7)**	**(14.2)**	**(3.4)**	**(3.7)**	(3.3)	(2.8)	(4.5)	(3.6)	**(3.3)**	(4.3)
Commodity	**(0.4)**	**(1.3)**	**(0.7)**	**(0.7)**	(1.0)	(1.1)	(0.8)	(0.9)	**(0.8)**	(1.2)
Correlation effect[2]	**n.m.**	**n.m.**	**5.8**	**5.7**	6.0	5.9	6.7	6.3	**5.7**	6.9
Total trading VaR	**(3.6)**	**(11.1)**	**(4.9)**	**(4.5)**	(6.7)	(6.3)	(6.7)	(4.6)	**(5.8)**	(6.6)

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			Six months ended	
	April 30, 2017				January 31, 2017		April 30, 2016		April 30, 2017	April 30, 2016
	Low	High	Average	Period end	Average	Period end	Average	Period end	Average	Average
Interest rate	(4.1)	(7.4)	(5.5)	(5.1)	(7.7)	(8.5)	(7.9)	(6.2)	(6.6)	(8.6)
Exchange rate	(1.6)	(4.0)	(2.6)	(2.7)	(3.4)	(1.5)	(4.9)	(3.1)	(3.0)	(4.4)
Equity	(2.5)	(16.3)	(4.0)	(5.8)	(5.1)	(5.0)	(5.8)	(4.3)	(4.5)	(5.6)
Commodity	(0.5)	(1.5)	(0.8)	(0.8)	(1.4)	(1.3)	(1.1)	(1.2)	(1.1)	(1.7)
Correlation effect(2)	n.m.	n.m.	7.5	8.3	9.4	8.9	9.7	6.5	8.4	11.0
Total trading SVaR	(3.9)	(13.0)	(5.4)	(6.1)	(8.2)	(7.4)	(10.0)	(8.3)	(6.8)	(9.3)

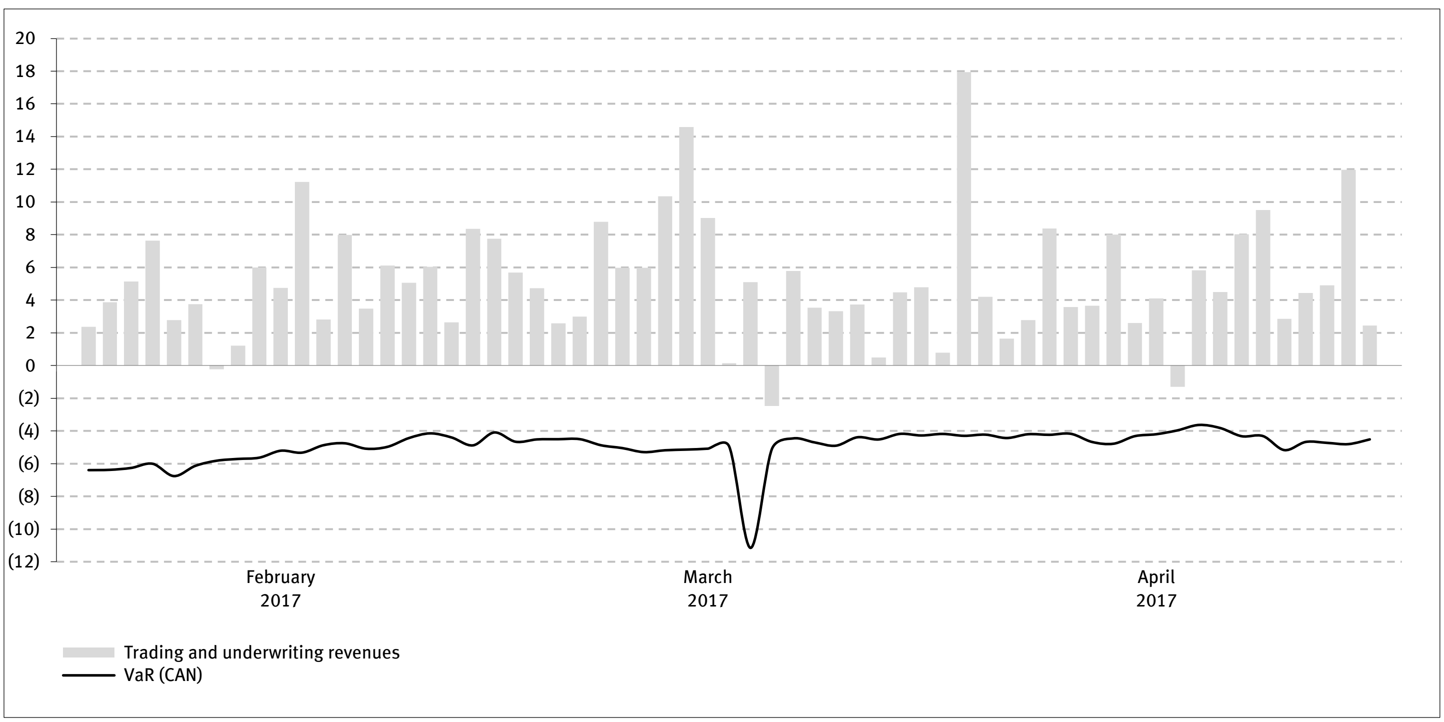
n.m. Computation of a correlation effect for the high and low is not meaningful, as highs and lows may occur on different days and be attributable to different types of risk.
(1) Amounts are presented on a pre-tax basis and represent one-day SVaR using a 99% confidence level.
(2) The total trading SVaR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

Total trading VaR was $4.5 million for the quarter ended April 30, 2017 compared to $6.3 million for the quarter ended January 31, 2017. This decrease came mainly from interest rate VaR, which was $6.4 million for the quarter ended January 31, 2017 versus $3.4 million for the quarter ended April 30, 2017. Total trading SVaR was $6.1 million for the quarter ended April 30, 2017 compared to $7.4 million for the quarter ended January 31, 2017. This decrease came mainly from interest rate SVaR and commodity SVaR, which were down $3.4 million and $0.5 million, respectively.

Daily Trading and Underwriting Revenues

The following table shows daily trading and underwriting revenues as well as VaR. Daily trading and underwriting revenues were positive more than 95% of the days for the quarter ended April 30, 2017. Two trading days were marked by net losses in excess of $1 million. None of these losses exceeded the VaR limit.

Quarter ended April 30, 2017
(millions of Canadian dollars)



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

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

(millions of Canadian dollars)						As at April 30, 2017
	Impact on equity			Impact on net interest income		
	Canadian dollar	Other currencies	Total	Canadian dollar	Other currencies	Total
100-basis-point increase in the interest rate	**(180)**	**4**	**(176)**	**23**	**37**	**60**
100-basis-point decrease in the interest rate	**127**	**10**	**137**	**(27)**	**(24)**	**(51)**

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

Liquidity Risk

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

Regulatory Developments

On March 6, 2017, OSFI notified Canadian deposit-taking institutions of its intention to extend the implementation timeline of the net stable funding ratio (NSFR) to January 1, 2019. The BCBS's final *Net Stable Funding Ratio Disclosure Standards* document, issued in June 2015, proposed a common framework for public disclosures that would not be required before the planned implementation date of January 1, 2018.

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

Liquid Assets

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

Liquid Asset Portfolio

(millions of Canadian dollars)					As at April 30, 2017	As at October 31, 2016
	Bank-owned liquid assets(1)	Liquid assets received(2)	Total liquid assets	Encumbered liquid assets(3)	Unencumbered liquid assets	Unencumbered liquid assets
Cash and deposits with financial institutions	9,770	–	9,770	2,025	7,745	6,201
Securities						
Issued or guaranteed by the Canadian government, U.S. Treasury, other U.S. agencies and other foreign governments	22,220	20,229	42,449	30,229	12,220	15,356
Issued or guaranteed by Canadian provincial and municipal governments	14,042	14,510	28,552	21,706	6,846	7,553
Other debt securities	4,962	1,409	6,371	2,412	3,959	3,488
Equity securities	23,869	54,058	77,927	63,780	14,147	9,349
Loans						
Securities backed by insured residential mortgages	10,939	–	10,939	249	10,690	4,236
As at April 30, 2017	85,802	90,206	176,008	120,401	55,607	
As at October 31, 2016	80,541	71,292	151,833	105,650		46,183

(millions of Canadian dollars)	As at April 30, 2017	As at October 31, 2016
Unencumbered liquid assets by entity		
National Bank (parent)	27,158	25,951
Domestic subsidiaries	11,964	8,185
Foreign subsidiaries and branches	16,485	12,047
	55,607	46,183

(millions of Canadian dollars)	As at April 30, 2017	As at October 31, 2016
Unencumbered liquid assets by currency		
Canadian dollar	31,503	28,629
U.S. dollar	17,339	13,829
Other currencies	6,765	3,725
	55,607	46,183

Liquid Asset Portfolio – Average(4)

(millions of Canadian dollars)					Quarter ended April 30, 2017
	Bank-owned liquid assets(1)	Liquid assets received(2)	Total liquid assets	Encumbered liquid assets(3)	Unencumbered liquid assets
Cash and deposits with financial institutions	11,713	–	11,713	2,020	9,693
Securities					
Issued or guaranteed by the Canadian government, U.S. Treasury, other U.S. agencies and other foreign governments	22,145	20,858	43,003	30,605	12,398
Issued or guaranteed by Canadian provincial and municipal governments	15,500	14,257	29,757	23,363	6,394
Other debt securities	4,730	1,304	6,034	2,362	3,672
Equity securities	25,715	52,441	78,156	63,894	14,262
Loans					
Securities backed by insured residential mortgages	11,124	–	11,124	1,669	9,455
	90,927	88,860	179,787	123,913	55,874

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

Summary of Encumbered and Unencumbered Assets

(millions of Canadian dollars)						As at April 30, 2017
		Encumbered assets[1]		Unencumbered assets	Total	Encumbered assets as a % of total assets
	Pledged as collateral	Other[2]	Available as collateral	Other[3]		
Cash and deposits with financial institutions	89	1,936	7,745	–	9,770	0.8
Securities	33,226	–	31,867	–	65,093	13.9
Securities purchased under reverse repurchase agreements and securities borrowed	–	12,176	5,305	–	17,481	5.1
Loans, net of allowances	37,849	–	10,690	75,294	123,833	15.8
Customers' liability under acceptances	–	–	–	5,932	5,932	–
Derivative financial instruments	–	–	–	8,746	8,746	–
Purchased receivables	–	–	–	1,723	1,723	–
Investments in associates and joint ventures	–	–	–	652	652	–
Premises and equipment	–	–	–	943	943	–
Goodwill	–	–	–	1,418	1,418	–
Intangible assets	–	–	–	1,174	1,174	–
Other assets	–	–	–	2,255	2,255	–
	71,164	14,112	55,607	98,137	239,020	35.6

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

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

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

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

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

Liquidity Coverage Ratio (LCR)

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

The following table provides average LCR data calculated using the daily figures in the quarter. For the quarter ended April 30, 2017, the Bank's average LCR was 139%, well above the 100% regulatory requirement and demonstrating the Bank's solid liquidity position.

LCR Disclosure Requirements[1]

(millions of Canadian dollars)			For the quarter ended
		April 30, 2017	January 31, 2017
	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.	46,702	44,232
Cash outflows			
2 Retail deposits and deposits from small business customers, of which:	38,816	2,611	2,553
3 Stable deposits	18,155	545	539
4 Less stable deposits	20,661	2,066	2,014
5 Unsecured wholesale funding, of which:	58,062	31,638	30,839
6 Operational deposits (all counterparties)	11,420	2,746	2,541
7 Non-operational deposits (all counterparties)	39,084	21,334	20,787
8 Unsecured debt	7,558	7,558	7,511
9 Secured wholesale funding	n.a.	12,661	8,060
10 Additional requirements, of which:	35,731	8,549	9,537
11 Outflows related to derivative exposures and other collateral requirements	8,033	4,308	5,111
12 Outflows related to loss of funding on secured debt securities	721	721	969
13 Backstop liquidity and credit enhancement facilities and commitments to extend credit	26,977	3,520	3,457
14 Other contractual commitments to extend credit	1,171	642	321
15 Other contingent commitments to extend credit	72,861	908	809
16 Total cash outflows	n.a.	57,009	52,119
Cash inflows			
17 Secured lending (e.g., reverse repos)	65,146	12,622	9,494
18 Inflows from fully performing exposures	7,198	4,239	4,049
19 Other cash inflows	6,432	6,432	6,825
20 Total cash inflows	78,776	23,293	20,368
		Total adjusted value[4]	Total adjusted value[4]
21 Total HQLA	n.a.	46,702	44,232
22 Total net cash outflows	n.a.	33,716	31,751
23 Liquidity coverage ratio (%)[5]	n.a.	139 %	139 %

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

Level 1 liquid assets represent 90% of the Bank's HQLA, which includes cash, central bank deposits, and bonds issued or guaranteed by the Canadian government and Canadian provincial governments.

Cash outflows arise from the application of OSFI-prescribed assumptions on deposits, debt, secured funding, commitments and additional collateral requirements. The cash outflows are partly offset by cash inflows, which come mainly from secured loans and performing loans. The Bank expects some quarter-over-quarter variation between reported LCRs, and such variation may not be indicative of a trend. The variation between the quarter ended April 30, 2017 and the previous quarter was a result of normal business activities. The Bank's liquid asset buffer is well in excess of its total net cash outflows.

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

Funding Risk

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

On May 10, 2017, Moody's credit rating agency lowered the credit ratings for long-term debt of all Canadian D-SIBs by one notch. The Bank's credit rating for long-term senior debt therefore went to A1 from Aa3. The credit rating for short-term senior debt remained stable at P-1. Funding and liquidity levels remained sound and robust, and the Bank continues to enjoy excellent access to the market for its funding needs.

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 April 30, 2017
	1 month or less	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Subtotal 1 year or less	Over 1 year to 2 years	Over 2 years	Total
Deposits from banks[2]	1,019	49	87	19	1,174	–	–	1,174
Certificates of deposit and commercial paper[3]	2,700	2,183	1,878	952	7,713	539	–	8,252
Asset-backed commercial paper	–	–	–	–	–	–	–	–
Senior unsecured medium-term notes[4]	–	1,383	2,650	2,097	6,130	3,494	5,102	14,726
Senior unsecured structured notes	–	–	–	–	–	21	5,010	5,031
Covered bonds and asset-backed securities								
Mortgage securitization	634	649	547	1,619	3,449	3,148	13,559	20,156
Covered bonds	–	–	–	1,024	1,024	1,477	4,374	6,875
Securitization of credit card receivables	–	–	–	–	–	36	872	908
Subordinated liabilities[5]	–	–	–	–	–	–	10	10
Other[6]	2,707	4	–	–	2,711	–	–	2,711
	7,060	4,268	5,162	5,711	22,201	8,715	28,927	59,843
Secured funding	634	649	547	2,643	4,473	4,661	18,805	27,939
Unsecured funding	6,426	3,619	4,615	3,068	17,728	4,054	10,122	31,904
	7,060	4,268	5,162	5,711	22,201	8,715	28,927	59,843
As at October 31, 2016	6,207	3,880	4,854	5,850	20,791	7,250	29,549	57,590

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

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

(millions of Canadian dollars)			As at April 30, 2017
	One-notch downgrade	Two-notch downgrade	Three-notch downgrade
Derivatives[1]	15	23	34

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

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

The following tables present balance sheet items and off-balance-sheet commitments by residual contractual maturity as at April 30, 2017 with comparative figures as at October 31, 2016. The information gathered from this maturity analysis is a component of liquidity and funding management. However, this maturity profile does not represent how the Bank manages its interest rate risk nor its liquidity risk and funding needs. The Bank considers factors other than contractual maturity in the assessment of liquid assets or in determining expected future cash flows.

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

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

(millions of Canadian dollars)									As at April 30, 2017	
	1 month or less	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specified maturity	Total
Assets										
Cash and deposits with financial institutions	7,054	700	8	12	11	5	–	–	1,980	9,770
Securities										
At fair value through profit or loss	1,421	1,569	1,981	553	868	5,465	7,338	4,596	23,205	46,996
Available-for-sale	14	2	66	55	21	344	5,176	4,457	527	10,662
Held-to-maturity	–	–	490	25	–	104	6,053	763	–	7,435
	1,435	1,571	2,537	633	889	5,913	18,567	9,816	23,732	65,093
Securities purchased under reverse repurchase agreements and securities borrowed	7,083	3,059	1,579	202	–	3,344	546	–	1,668	17,481
Loans and acceptances(1)										
Residential mortgage	1,175	1,605	1,749	1,464	1,468	8,133	32,731	1,332	15	49,672
Personal and credit card	287	413	506	442	489	2,625	9,132	2,566	18,982	35,442
Business and government	6,614	2,464	2,052	2,177	2,752	2,749	9,440	2,679	8,554	39,481
Customers' liability under acceptances	4,412	1,440	80	–	–	–	–	–	–	5,932
Allowances for credit losses									(762)	(762)
	12,488	5,922	4,387	4,083	4,709	13,507	51,303	6,577	26,789	129,765
Other										
Derivative financial instruments	651	528	409	401	232	852	2,302	3,371	–	8,746
Purchased receivables									1,723	1,723
Investments in associates and joint ventures									652	652
Premises and equipment									943	943
Goodwill									1,418	1,418
Intangible assets									1,174	1,174
Other assets(1)	425	92	106	101	81	113	10	175	1,152	2,255
	1,076	620	515	502	313	965	2,312	3,546	7,062	16,911
	29,136	11,872	9,026	5,432	5,922	23,734	72,728	19,939	61,231	239,020

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

(millions of Canadian dollars)									As at April 30, 2017	
	1 month or less	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specified maturity	Total
Liabilities and equity										
Deposits[1][2]										
Personal	986	1,441	1,527	1,838	2,356	5,551	8,638	2,219	29,050	53,606
Business and government	10,718	5,229	5,294	3,696	3,427	6,367	9,262	5,667	42,787	92,447
Deposit-taking institutions	1,930	338	274	15	4	–	–	59	2,487	5,107
	13,634	7,008	7,095	5,549	5,787	11,918	17,900	7,945	74,324	151,160
Other										
Acceptances	4,412	1,440	80	–	–	–	–	–	–	5,932
Obligations related to securities sold short[3]	154	218	78	44	115	407	3,643	5,681	1,837	12,177
Obligations related to securities sold under repurchase agreements and securities loaned	12,702	1,999	4,363	1,833	–	–	–	–	4,221	25,118
Derivative financial instruments	597	457	365	425	227	749	1,345	2,492	–	6,657
Liabilities related to transferred receivables[4]	634	649	547	1,171	448	3,148	9,792	3,767	–	20,156
Securitization – Credit card[5]	–	–	–	–	–	36	872	–	–	908
Other liabilities – Other items[1][5]	316	38	35	145	125	43	40	203	3,274	4,219
	18,815	4,801	5,468	3,618	915	4,383	15,692	12,143	9,332	75,167
Subordinated debt	–	–	–	–	–	–	–	10	–	10
Equity									12,683	12,683
	32,449	11,809	12,563	9,167	6,702	16,301	33,592	20,098	96,339	239,020
Off-balance-sheet commitments										
Letters of guarantee and documentary letters of credit	155	221	77	625	617	664	724	214	–	3,297
Credit card receivables[6]									7,335	7,335
Backstop liquidity and credit enhancement facilities[7]	15	–	2,689	15	2,298	–	–	–	–	5,017
Commitments to extend credit[8]	1,150	1,363	1,619	1,983	1,377	8,074	11,500	445	23,927	51,438
Lease commitments and other contracts	87	169	242	235	222	718	1,520	470	–	3,663

(1) Amounts payable upon demand or notice are considered to have no specified maturity.
(2) The *Deposits* item is presented in greater detail than it is on the Consolidated Balance Sheet.
(3) Amounts are disclosed according to the remaining contractual maturity of the underlying security.
(4) These amounts mainly include liabilities related to the securitization of mortgage loans.
(5) The *Other liabilities* item is presented in greater detail than it is on the Consolidated Balance Sheet.
(6) These amounts are unconditionally revocable at the Bank's discretion at any time.
(7) In the event of payment on one of the backstop liquidity facilities, the Bank will receive as collateral government bonds in an amount up to $2.3 billion.
(8) These amounts include $32.2 billion that is unconditionally revocable at the Bank's discretion at any time.

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

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

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

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

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

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

QUARTERLY FINANCIAL INFORMATION

(millions of Canadian dollars, except per share amounts)	2017		2016				2015		2016	2015
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Total	Total
Total revenues	**1,597**	1,633	1,569	1,557	1,425	1,289	1,405	1,510	5,840	5,746
Net income	**484**	497	307	478	210	261	347	453	1,256	1,619
Earnings per share ($)										
Basic	**1.30**	1.35	0.79	1.32	0.52	0.68	0.96	1.29	3.31	4.56
Diluted	**1.28**	1.34	0.78	1.31	0.52	0.67	0.95	1.28	3.29	4.51
Dividends per common share ($)	**0.56**	0.56	0.55	0.55	0.54	0.54	0.52	0.52	2.18	2.04
Return on common shareholders' equity (%)	**17.9**	18.4	11.0	18.7	7.7	9.5	13.6	18.8	11.7	16.9
Total assets	**239,020**	234,119	232,206	229,896	220,734	219,301	216,090	215,560		
Impaired loans, net	**213**	226	281	251	300	234	254	254		
Per common share ($)										
Book value	**29.97**	29.51	28.52	28.39	27.75	27.77	28.26	27.60		
Share price										
High	**58.75**	56.60	47.88	46.65	45.56	44.11	46.33	50.01		
Low	**52.94**	46.83	44.14	40.98	35.95	35.83	40.75	43.78		

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

CONSOLIDATED BALANCE SHEETS

(unaudited) (millions of Canadian dollars)

	As at April 30, 2017	As at October 31, 2016
Assets		
Cash and deposits with financial institutions	9,770	8,183
Securities (Notes 4 and 5)		
At fair value through profit or loss	46,996	45,964
Available-for-sale	10,662	14,608
Held-to-maturity	7,435	3,969
	65,093	64,541
Securities purchased under reverse repurchase agreements and securities borrowed	17,481	13,948
Loans (Note 6)		
Residential mortgage	49,672	48,868
Personal and credit card	35,442	33,964
Business and government	39,481	37,686
	124,595	120,518
Customers' liability under acceptances	5,932	6,441
Allowances for credit losses	(762)	(781)
	129,765	126,178
Other		
Derivative financial instruments	8,746	10,416
Purchased receivables	1,723	1,858
Investments in associates and joint ventures	652	645
Premises and equipment	943	1,338
Goodwill	1,418	1,412
Intangible assets	1,174	1,140
Other assets (Note 8)	2,255	2,547
	16,911	19,356
	239,020	232,206
Liabilities and equity		
Deposits (Notes 4 and 9)	151,160	142,066
Other		
Acceptances	5,932	6,441
Obligations related to securities sold short	12,177	14,207
Obligations related to securities sold under repurchase agreements and securities loaned	25,118	22,636
Derivative financial instruments	6,657	7,725
Liabilities related to transferred receivables (Notes 4 and 7)	20,156	20,131
Other liabilities (Note 10)	5,127	5,886
	75,167	77,026
Subordinated debt (Note 12)	10	1,012
Equity		
Equity attributable to the Bank's shareholders (Notes 13 and 17)		
Preferred shares	1,650	1,650
Common shares	2,793	2,645
Contributed surplus	57	73
Retained earnings	7,164	6,706
Accumulated other comprehensive income	221	218
	11,885	11,292
Non-controlling interests (Note 14)	798	810
	12,683	12,102
	239,020	232,206

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

CONSOLIDATED STATEMENTS OF INCOME

(unaudited) (millions of Canadian dollars)

	Quarter ended April 30		Six months ended April 30	
	2017	2016	2017	2016
Interest income				
Loans	1,064	922	2,125	1,845
Securities at fair value through profit or loss	155	154	316	319
Available-for-sale securities	63	84	133	167
Held-to-maturity securities	27	3	46	3
Deposits with financial institutions	26	18	44	32
	1,335	1,181	2,664	2,366
Interest expense				
Deposits	431	345	831	682
Liabilities related to transferred receivables	100	102	197	204
Subordinated debt	7	8	15	16
Other	35	11	61	33
	573	466	1,104	935
Net interest income	762	715	1,560	1,431
Non-interest income				
Underwriting and advisory fees	90	94	178	169
Securities brokerage commissions	57	61	115	120
Mutual fund revenues	101	87	202	172
Trust service revenues	126	109	249	223
Credit fees	84	85	167	169
Card revenues	29	28	62	57
Deposit and payment service charges	64	61	132	123
Trading revenues (losses) (Note 16)	76	8	170	55
Gains (losses) on available-for-sale securities, net	49	29	75	40
Insurance revenues, net	30	28	61	54
Foreign exchange revenues, other than trading	23	19	41	43
Share in the net income of associates and joint ventures	9	11	17	7
Other	97	90	201	51
	835	710	1,670	1,283
Total revenues	1,597	1,425	3,230	2,714
Provisions for credit losses (Note 6)	56	317	116	380
	1,541	1,108	3,114	2,334
Non-interest expenses				
Compensation and employee benefits	574	506	1,162	1,049
Occupancy	60	58	119	114
Technology	139	133	276	268
Communications	15	18	31	35
Professional fees	60	66	126	127
Other	93	95	196	186
	941	876	1,910	1,779
Income before income taxes	600	232	1,204	555
Income taxes (Note 19)	116	22	223	84
Net income	484	210	981	471
Net income attributable to				
Preferred shareholders	20	16	39	27
Common shareholders	442	177	901	405
Bank shareholders	462	193	940	432
Non-controlling interests	22	17	41	39
	484	210	981	471
Earnings per share *(dollars)* (Note 20)				
Basic	1.30	0.52	2.65	1.20
Diluted	1.28	0.52	2.62	1.19
Dividends per common share *(dollars)*	0.56	0.54	1.12	1.08

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 April 30		Six months ended April 30	
	2017	2016	**2017**	2016
Net income	**484**	210	**981**	471
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	**94**	(140)	**37**	(30)
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)	**(36)**	108	**(12)**	17
Impact of hedging net foreign currency translation (gains) losses reclassified to net income	**–**	–	**–**	5
	58	(32)	**25**	(20)
Net change in available-for-sale securities				
Net unrealized gains (losses) on available-for-sale securities	**65**	82	**86**	16
Net (gains) losses on available-for-sale securities reclassified to net income	**(35)**	(30)	**(64)**	(34)
	30	52	**22**	(18)
Net change in cash flow hedges				
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**(29)**	40	**(29)**	44
Net (gains) losses on designated derivative financial instruments reclassified to net income	**(7)**	(4)	**(13)**	(7)
	(36)	36	**(42)**	37
Share in the other comprehensive income of associates and joint ventures	**–**	(3)	**–**	1
Items that will not be subsequently reclassified to net income				
Remeasurements of pension plans and other post-employment benefit plans	**(80)**	15	**39**	(137)
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**(41)**	(40)	**(56)**	(40)
	(121)	(25)	**(17)**	(177)
Total other comprehensive income, net of income taxes	**(69)**	28	**(12)**	(177)
Comprehensive income	**415**	238	**969**	294
Comprehensive income attributable to				
Bank shareholders	**389**	222	**926**	255
Non-controlling interests	**26**	16	**43**	39
	415	238	**969**	294

INCOME TAXES – OTHER COMPREHENSIVE INCOME

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

	Quarter ended April 30		Six months ended April 30	
	2017	2016	**2017**	2016
Net foreign currency translation adjustments				
Net unrealized foreign currency translation gains (losses) on investments in foreign operations	**–**	(4)	**–**	1
Net foreign currency translation (gains) losses on investments in foreign operations reclassified to net income	**–**	–	**–**	(2)
Impact of hedging net foreign currency translation gains (losses)	**(7)**	22	**(2)**	(1)
Impact of hedging net foreign currency translation (gains) losses reclassified to net income	**–**	–	**–**	2
	(7)	18	**(2)**	–
Net change in available-for-sale securities				
Net unrealized gains (losses) on available-for-sale securities	**24**	30	**30**	6
Net (gains) losses on available-for-sale securities reclassified to net income	**(13)**	(11)	**(23)**	(12)
	11	19	**7**	(6)
Net change in cash flow hedges				
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**(11)**	14	**(11)**	16
Net (gains) losses on designated derivative financial instruments reclassified to net income	**(2)**	(2)	**(4)**	(3)
	(13)	12	**(15)**	13
Remeasurements of pension plans and other post-employment benefit plans	**(29)**	6	**14**	(50)
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**(14)**	(14)	**(20)**	(14)
	(52)	41	**(16)**	(57)

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)

	Six months ended April 30	
	2017	2016
Preferred shares at beginning (Note 13)	1,650	1,023
Issuance of Series 34 preferred shares	–	400
Redemption of Series 20 preferred shares for cancellation	–	(173)
Preferred shares at end	1,650	1,250
Common shares at beginning (Note 13)	2,645	2,614
Issuances of common shares		
Stock Option Plan	149	21
Impact of shares purchased or sold for trading	3	(15)
Other	(4)	–
Common shares at end	2,793	2,620
Contributed surplus at beginning	73	67
Stock option expense (Note 17)	6	6
Stock options exercised	(22)	(3)
Other	–	(1)
Contributed surplus at end	57	69
Retained earnings at beginning	6,706	6,705
Net income attributable to the Bank's shareholders	940	432
Dividends (Note 13)		
Preferred shares	(39)	(24)
Common shares	(382)	(364)
Premium paid on preferred shares redeemed for cancellation	–	(3)
Share issuance expenses	–	(6)
Remeasurements of pension plans and other post-employment benefit plans	39	(137)
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	(56)	(40)
Impact of a financial liability resulting from put options written to non-controlling interests	(31)	(33)
Other	(13)	–
Retained earnings at end	7,164	6,530
Accumulated other comprehensive income at beginning	218	145
Net foreign currency translation adjustments	25	(20)
Net change in unrealized gains (losses) on available-for-sale securities	22	(18)
Net change in gains (losses) on cash flow hedges	(44)	37
Share in the other comprehensive income of associates and joint ventures	–	1
Accumulated other comprehensive income at end	221	145
Equity attributable to the Bank's shareholders	11,885	10,614
Non-controlling interests at beginning (Note 14)	810	801
Net income attributable to non-controlling interests	41	39
Other comprehensive income attributable to non-controlling interests	2	–
Distributions to non-controlling interests	(55)	(44)
Non-controlling interests at end	798	796
Equity	12,683	11,410

ACCUMULATED OTHER COMPREHENSIVE INCOME

	As at April 30, 2017	As at April 30, 2016
Accumulated other comprehensive income		
Net foreign currency translation adjustments	51	(16)
Net unrealized gains (losses) on available-for-sale securities	73	(6)
Net gains (losses) on instruments designated as cash flow hedges	91	161
Share in the other comprehensive income of associates and joint ventures	6	6
	221	145

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)

	Six months ended April 30	
	2017	2016
Cash flows from operating activities		
Net income	981	471
Adjustments for		
Provisions for credit losses	116	380
Amortization of premises and equipment and intangible assets	192	212
Write-off of an equity interest in an associate	–	164
Gain on disposal of an equity interest in a joint venture	(12)	–
Deferred taxes	2	(55)
Losses (gains) on sales of available-for-sale securities, net	(75)	(44)
Impairment losses on available-for-sale securities	–	4
Share in the net income of associates and joint ventures	(17)	(7)
Stock option expense	6	6
Change in operating assets and liabilities		
Securities at fair value through profit or loss	(1,032)	(274)
Securities purchased under reverse repurchase agreements and securities borrowed	(3,533)	3,942
Loans, net of securitization	(4,176)	(6,689)
Deposits	9,094	1,779
Obligations related to securities sold short	(2,030)	(2,494)
Obligations related to securities sold under repurchase agreements and securities loaned	2,482	4,516
Derivative financial instruments, net	602	264
Purchased receivables	135	104
Interest and dividends receivable and interest payable	(107)	(47)
Current tax assets and liabilities	(126)	75
Other items	(673)	48
	1,829	2,355
Cash flows from financing activities		
Issuance of preferred shares	–	400
Redemption of preferred shares for cancellation	–	(176)
Issuance of common shares, net of the impact of shares purchased for trading	126	3
Redemption of subordinated debt	(1,000)	(500)
Share issuance expenses	–	(6)
Dividends paid	(418)	(384)
Distributions to non-controlling interests	(55)	(44)
	(1,347)	(707)
Cash flows from investing activities		
Net change in investments in associates and joint ventures	13	–
Purchases of available-for-sale securities	(2,181)	(3,259)
Maturities of available-for-sale securities	466	412
Sales of available-for-sale securities	5,599	2,773
Purchases of held-to-maturity securities	(3,456)	(1,709)
Net change in tangible assets leased under operating leases	332	163
Net change in premises and equipment	(41)	(70)
Net change in intangible assets	(115)	(124)
	617	(1,814)
Impact of currency rate movements on cash and cash equivalents	488	51
Increase (decrease) in cash and cash equivalents	1,587	(115)
Cash and cash equivalents at beginning	8,183	7,567
Cash and cash equivalents at end(1)	9,770	7,452
Supplementary information about cash flows from operating activities		
Interest paid	1,184	977
Interest and dividends received	2,638	2,357
Income taxes paid	364	135

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 $1.9 billion as at April 30, 2017 ($1.9 billion as at October 31, 2016) for which there are restrictions. In addition, a negligible amount was held in escrow as at April 30, 2017 ($3 million as at October 31, 2016).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) (millions of Canadian dollars)

NOTE 1 – BASIS OF PRESENTATION

On May 30, 2017, the Board of Directors authorized the publication of the Bank's unaudited interim condensed consolidated financial statements (the consolidated financial statements) for the quarter ended April 30, 2017.

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

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

On November 1, 2016, the Bank reclassified certain Personal and Commercial segment revenues in the Consolidated Statement of Income to better reflect the nature of the revenues reported. As a result, for the quarter ended April 30, 2016, an amount of $6 million reported in *Non-interest income – Credit fees* was reclassified to *Interest income – Loans* ($16 million for the six-month period ended April 30, 2016).

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

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

NOTE 2 – FUTURE ACCOUNTING POLICY CHANGES

The Bank closely monitors both new accounting standards and amendments to existing accounting standards issued by the IASB. The Bank is currently assessing how adoption of new and amended IASB accounting standards will impact the consolidated financial statements. There have been no significant updates to the future accounting policy changes disclosed in Note 2 to the audited annual consolidated financial statements for the year ended October 31, 2016, except as described below.

IFRS 17 – *Insurance Contracts*
In May 2017, the IASB issued IFRS 17 – *Insurance Contracts*, a new standard that replaces IFRS 4, the current insurance contract accounting standard. IFRS 17 introduces a new accounting framework that will improve comparability and quality of financial information. IFRS 17 is effective for annual periods beginning on or after January 1, 2021, which will be November 1, 2021 for the Bank.

(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 April 30, 2017
	Carrying value and fair value			Carrying value	Fair value		
	Financial instruments classified as at fair value through profit or loss	Financial instruments designated at fair value through profit or loss	Available-for-sale	Financial instruments at amortized cost	Financial instruments at amortized cost	Total carrying value	Total fair value
Financial assets							
Cash and deposits with financial institutions	–	–	–	9,770	9,770	9,770	9,770
Securities	46,237	759	10,662	7,435	7,653	65,093	65,311
Securities purchased under reverse repurchase agreements and securities borrowed	–	54	–	17,427	17,427	17,481	17,481
Loans and acceptances	6,113	115	–	123,537	124,816	129,765	131,044
Other							
Derivative financial instruments	8,746	–	–	–	–	8,746	8,746
Purchased receivables	–	–	–	1,723	1,723	1,723	1,723
Other assets	–	–	–	936	936	936	936
Financial liabilities							
Deposits	–	5,162		145,998 (1)	146,709	151,160	151,871
Other							
Acceptances	–	–		5,932	5,932	5,932	5,932
Obligations related to securities sold short	12,177	–		–	–	12,177	12,177
Obligations related to securities sold under repurchase agreements and securities loaned	–	–		25,118	25,118	25,118	25,118
Derivative financial instruments	6,657	–		–	–	6,657	6,657
Liabilities related to transferred receivables	–	6,097		14,059	14,127	20,156	20,224
Other liabilities	37	–		2,759	2,775	2,796	2,812
Subordinated debt	–	–		10	10	10	10

(1) Including embedded derivative financial instruments.

(unaudited) (millions of Canadian dollars)

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

As at October 31, 2016

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

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

Establishing Fair Value

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

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

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

(unaudited) (millions of Canadian dollars)

Financial Instruments Recorded at Fair Value on the Consolidated Balance Sheet

Hierarchy of Fair Value Measurements

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

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

During the quarter ended April 30, 2017, $132 million in securities classified as at fair value through profit or loss and $11 million in obligations related to securities sold short were transferred from Level 2 to Level 1 resulting from changing market conditions. In addition, during the quarter ended April 30, 2017, $67 million in securities classified as at fair value through profit or loss and $9 million in obligations related to securities sold short were transferred from Level 1 to Level 2 (no significant transfers between Levels 1 and 2 for the quarter ended January 31, 2017). During the six-month periods ended April 30, 2017 and 2016, financial instruments were transferred to (or from) Level 3 due to changes in the availability of observable market inputs resulting from changing market conditions.

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

				As at April 30, 2017
	Level 1	Level 2	Level 3	Total financial assets/liabilities at fair value
Financial assets				
Securities				
At fair value through profit or loss				
Securities issued or guaranteed by				
Canadian government	3,005	5,949	–	8,954
Canadian provincial and municipal governments	–	8,959	–	8,959
U.S. Treasury, other U.S. agencies and other foreign governments	3,278	139	–	3,417
Other debt securities	–	2,443	–	2,443
Equity securities	22,729	482	12	23,223
	29,012	17,972	12	46,996
Available-for-sale				
Securities issued or guaranteed by				
Canadian government	118	4,926	–	5,044
Canadian provincial and municipal governments	–	3,687	–	3,687
U.S. Treasury, other U.S. agencies and other foreign governments	550	69	–	619
Other debt securities	–	665	1	666
Equity securities	155	191	300	646
	823	9,538	301	10,662
Securities purchased under reverse repurchase agreements and securities borrowed	–	54	–	54
Loans and acceptances	–	6,228	–	6,228
Other				
Derivative financial instruments	61	8,607	78	8,746
	29,896	42,399	391	72,686
Financial liabilities				
Deposits	–	5,376	8	5,384
Other				
Obligations related to securities sold short	6,719	5,458	–	12,177
Derivative financial instruments	126	6,481	50	6,657
Liabilities related to transferred receivables	–	6,097	–	6,097
Other liabilities	–	37	–	37
	6,845	23,449	58	30,352

(unaudited) (millions of Canadian dollars)

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

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

Financial Instruments Classified in Level 3

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

For a description of the valuation techniques and significant unobservable inputs used in determining the fair value of financial instruments classified in Level 3, see Note 3 to the audited annual consolidated financial statements for the fiscal year ended October 31, 2016. For the quarter and six months ended April 30, 2017, no significant change was made to the valuation techniques and significant unobservable inputs used in determining fair value.

Sensitivity Analysis of Financial Instruments Classified in Level 3
The Bank performs sensitivity analyses on the fair value measurements of financial instruments classified in Level 3, substituting unobservable inputs with one or more reasonably possible alternative assumptions. For additional information on how a change in unobservable input might affect the fair value measurements of Level 3 financial instruments, see Note 3 of the audited annual consolidated financial statements for the year ended October 31, 2016. For the six months ended April 30, 2017, there were no significant changes in the sensitivity analyses of Level 3 financial instruments.

(unaudited) (millions of Canadian dollars)

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.

				Six months ended April 30, 2017
	Securities at fair value through profit or loss	Available-for-sale securities	Derivative financial instruments(1)	Deposits
Fair value as at October 31, 2016	18	305	15	(7)
Total realized and unrealized gains (losses) included in *Net income* (2)	–	13	1	–
Total realized and unrealized gains (losses) included in *Other comprehensive income*	–	(4)	–	–
Purchases	1	29	–	–
Sales	(9)	(38)	–	–
Issuances	–	–	–	(7)
Settlements and other	–	(4)	9	1
Financial instruments transferred into Level 3	2	–	–	(1)
Financial instruments transferred out of Level 3	–	–	3	6
Fair value as at April 30, 2017	12	301	28	(8)
Change in unrealized gains and losses included in *Net income* with respect to financial assets and financial liabilities held as at April 30, 2017(3)	–	–	1	–

				Six months ended April 30, 2016
	Securities at fair value through profit or loss	Available-for-sale securities	Derivative financial instruments(1)	Deposits
Fair value as at October 31, 2015	21	261	(38)	(20)
Total realized and unrealized gains (losses) included in *Net income* (4)	(1)	8	(30)	8
Total realized and unrealized gains (losses) included in *Other comprehensive income*	–	10	–	–
Purchases	–	40	–	–
Sales	(8)	(6)	–	–
Issuances	–	–	–	(7)
Settlements and other	–	(8)	9	3
Financial instruments transferred into Level 3	–	1	68	(31)
Financial instruments transferred out of Level 3	–	–	(5)	18
Fair value as at April 30, 2016	12	306	4	(29)
Change in unrealized gains and losses included in *Net income* with respect to financial assets and financial liabilities held as at April 30, 2016(5)	(1)	–	(30)	8

(1) The derivative financial instruments include assets and liabilities presented on a net basis.
(2) Total net gains included in *Non-interest income* was $14 million.
(3) Total unrealized gains included in *Non-interest income* was $1 million.
(4) Total net losses included in *Non-interest income* was $15 million.
(5) Total unrealized losses included in *Non-interest income* was $23 million.

(unaudited) (millions of Canadian dollars)

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

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

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

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

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

	Carrying value as at April 30, 2017	**Change in total fair value (including the change in the fair value attributable to credit risk) for the quarter ended April 30, 2017**	**Change in total fair value (including the change in the fair value attributable to credit risk) for the six months ended April 30, 2017**	**Change in fair value since the initial recognition of the instrument**
Financial assets designated at fair value through profit or loss				
Securities	759	4	–	22
Securities purchased under reverse repurchase agreements	54	–	–	–
Loans	115	9	(4)	(29)
	928	13	(4)	(7)
Financial liabilities designated at fair value through profit or loss				
Deposits(1)(2)	5,162	(139)	(118)	(73)
Liabilities related to transferred receivables	6,097	(1)	56	(151)
	11,259	(140)	(62)	(224)

	Carrying value as at April 30, 2016	Change in total fair value (including the change in the fair value attributable to credit risk) for the quarter ended April 30, 2016	Change in total fair value (including the change in the fair value attributable to credit risk) for the six months ended April 30, 2016	Change in fair value since the initial recognition of the instrument
Financial assets designated at fair value through profit or loss				
Securities	2,219	(7)	1	345
Securities purchased under reverse repurchase agreements	751	–	–	–
Loans	104	(22)	(23)	(42)
	3,074	(29)	(22)	303
Financial liabilities designated at fair value through profit or loss				
Deposits(1)(2)	3,317	(182)	(46)	(15)
Liabilities related to transferred receivables	5,989	53	31	(217)
	9,306	(129)	(15)	(232)

(1) For the quarter ended April 30, 2017, the change in the fair value of deposits designated at fair value through profit or loss attributable to credit risk, and recorded in *Other comprehensive income,* resulted in a loss of $55 million ($54 million loss for the quarter ended April 30, 2016). For the six months ended April 30, 2017, this change resulted in a loss of $76 million (net loss of $39 million, which included a $54 million loss recorded in *Other comprehensive income* and a $15 million gain recorded in *Net income*, for the six months ended April 30, 2016).
(2) The amount at maturity that the Bank will be contractually required to pay to the holders of these deposits varies and will differ from the reporting date fair value.

(unaudited) (millions of Canadian dollars)

NOTE 5 – SECURITIES

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

				As at April 30, 2017
	Amortized cost	**Gross unrealized gains**	**Gross unrealized losses**	**Carrying value**
Securities issued or guaranteed by				
Canadian government	**4,994**	**52**	**(2)**	**5,044**
Canadian provincial and municipal governments	**3,536**	**173**	**(22)**	**3,687**
U.S. Treasury, other U.S. agencies and other foreign governments	**635**	**–**	**(16)**	**619**
Other debt securities	**656**	**11**	**(1)**	**666**
Equity securities	**566**	**101**	**(21)**	**646**
	10,387	**337**	**(62)**	**10,662**

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

Impairment Losses Recognized

At the end of each financial reporting period, the Bank determines whether there is objective evidence of impairment for each available-for-sale security. During the quarter ended April 30, 2017, no impairment loss ($1 million for the quarter ended April 30, 2016) was recognized in *Gains (losses) on available-for-sale securities, net* in the Consolidated Statement of Income. There were no impairment losses for the six months ended April 30, 2017 ($4 million for the six months ended April 30, 2016). In addition, during the six-month periods ended April 30, 2017 and 2016, no amounts were reversed in the Consolidated Statement of Income to recognize subsequent increases in the fair value of previously impaired debt securities.

Gross Unrealized Losses

As at April 30, 2017 and as at October 31, 2016, the Bank concluded that the gross unrealized losses on available-for-sale securities were mainly due to market price fluctuations and to changes in foreign exchange rates and that there was no objective evidence of impairment requiring an impairment charge to be recognized in the Consolidated Statement of Income.

Master Asset Vehicles (MAV)

As at April 30, 2017, the carrying value of the restructured notes of the MAV conduits and of the other restructured notes held by the Bank was nil ($619 million as at October 31, 2016). The change in the carrying value of the restructured notes of the MAV conduits during the six months ended April 30, 2017 was mainly attributable to capital repayments.

During the six months ended April 30, 2017, revenues amounting to $4 million were recorded to reflect capital repayments ($14 million during the six months ended April 30, 2016). These amounts were recorded in *Trading revenues* in the Consolidated Statement of Income.

Held-to-Maturity Securities

At the end of each financial reporting period, the Bank determines whether there is objective evidence of impairment for each held-to-maturity security. As at April 30, 2017 and 2016, there was no objective evidence of impairment on held-to-maturity securities.

(unaudited) (millions of Canadian dollars)

NOTE 6 – LOANS

Credit Quality

				As at April 30, 2017
	Residential mortgage	Personal and credit card	Business and government[1][2]	Total
Neither past due[3] nor impaired	49,417	35,076	45,056	129,549
Past due[3] but not impaired	182	287	87	556
Impaired	73	79	270	422
Gross loans	49,672	35,442	45,413	130,527
Less: Allowances on impaired loans				
Individual allowances	14	20	154	188
Collective allowances	–	18	3	21
Allowances on impaired loans	14	38	157	209
	49,658	35,404	45,256	130,318
Less:				
Sectoral allowance on non-impaired loans – Oil and gas[4]				147
Collective allowance on non-impaired loans[5]				406
				553
Loans and acceptances, net of allowances				129,765

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

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

(unaudited) (millions of Canadian dollars)

Loans Past Due But Not Impaired(1)

	As at April 30, 2017			As at October 31, 2016		
	Residential mortgage	**Personal and credit card**	**Business and government**	Residential mortgage	Personal and credit card	Business and government
Past due but not impaired						
31 to 60 days	**80**	**106**	**40**	115	112	51
61 to 90 days	**29**	**38**	**11**	48	36	9
Over 90 days	**73**	**143**	**36**	82	146	52
	182	**287**	**87**	245	294	112

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

Impaired Loans

	As at April 30, 2017			
	Gross	**Individual allowances**	**Collective allowances**	**Net**
Loans				
Residential mortgage	**73**	**14**	**–**	**59**
Personal and credit card	**79**	**20**	**18**	**41**
Business and government	**270**	**154**	**3**	**113**
	422	**188**	**21**	**213**

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

(1) Includes customers' liability under acceptances.

(unaudited) (millions of Canadian dollars)

NOTE 6 – LOANS (cont.)

Allowances for Credit Losses

	Six months ended April 30, 2017						
	Balance at beginning	Provisions for credit losses	Write-offs	Write-offs on credit cards	Recoveries and other[1]	Transfers[2]	Balance at end
Allowances on impaired loans							
Residential mortgage							
Individual allowances	13	6	(6)	–	1	–	14
Collective allowances	–	–	–	–	–	–	–
Personal and credit card							
Individual allowances	20	74	(34)	(42)	2	–	20
Collective allowances	19	14	(19)	–	4	–	18
Business and government							
Individual allowances	156	21	(41)	–	1	17	154
Collective allowances	3	1	(1)	–	–	–	3
Individual allowances	189	101	(81)	(42)	4	17	188
Collective allowances	22	15	(20)	–	4	–	21
	211	116	(101)	(42)	8	17	209
Sectoral allowance on non-impaired loans – Oil and gas[3]	204	(40)	–	–	–	(17)	147
Collective allowance on non-impaired loans[4]	366	40	–	–	–	–	406
	570	–	–	–	–	(17)	553
	781	116	(101)	(42)	8	–	762

	Six months ended April 30, 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	6	(6)	–	–	–	10
Collective allowances	–	–	–	–	–	–	–
Personal and credit card							
Individual allowances	18	62	(20)	(42)	1	–	19
Collective allowances	22	15	(21)	–	4	–	20
Business and government							
Individual allowances	151	45	(23)	–	(4)	–	169
Collective allowances	2	2	(1)	–	–	–	3
Individual allowances	179	113	(49)	(42)	(3)	–	198
Collective allowances	24	17	(22)	–	4	–	23
	203	130	(71)	(42)	1	–	221
Sectoral allowance on non-impaired loans – Oil and gas[3]	–	250	–	–	–	–	250
Collective allowance on non-impaired loans[4]	366	–	–	–	–	–	366
	366	250	–	–	–	–	616
	569	380	(71)	(42)	1	–	837

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

(unaudited) (millions of Canadian dollars)

NOTE 7 – FINANCIAL ASSETS TRANSFERRED BUT NOT DERECOGNIZED

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

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

	As at April 30, 2017	As at October 31, 2016
Carrying value of financial assets transferred but not derecognized		
Securities[1]	43,614	39,989
Residential mortgages	19,277	19,093
	62,891	59,082
Carrying value of associated liabilities[2]	36,056	34,992
Fair value of financial assets transferred but not derecognized		
Securities[1]	43,614	39,989
Residential mortgages	19,561	19,403
	63,175	59,392
Fair value of associated liabilities[2]	36,123	35,041

(1) The amount related to the securities loaned is the maximum amount of Bank securities that can be lent. For the obligations related to securities sold under repurchase agreements, the amount includes the Bank's own financial assets as well as those of third parties.
(2) Associated liabilities include obligations related to securities sold under repurchase agreements before the offsetting impact of $1,006 million as at April 30, 2017 ($3,521 million as at October 31, 2016) and liabilities related to transferred receivables. Liabilities related to securities loaned are not included, as the Bank can lend its own financial assets and those of third parties. The carrying value and fair value of liabilities related to securities loaned were $10,224 million as at April 30, 2017 ($11,296 million as at October 31, 2016).

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

	As at April 30, 2017	As at October 31, 2016
Carrying value of financial assets transferred but not derecognized		
Securities backed by insured residential mortgage loans and other securities sold to Canada Housing Trust	19,973	20,030
Securities sold under repurchase agreements	16,370	14,615
Securities loaned	26,548	24,437
	62,891	59,082

NOTE 8 – OTHER ASSETS

	As at April 30, 2017	As at October 31, 2016
Receivables, prepaid expenses and other items	785	668
Interest and dividends receivable	500	474
Due from clients, dealers and brokers[1]	436	843
Defined benefit asset	59	48
Deferred tax assets	385	402
Current tax assets	58	80
Reinsurance assets	32	32
	2,255	2,547

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

(unaudited) (millions of Canadian dollars)

NOTE 9 – DEPOSITS

	As at April 30, 2017			As at October 31, 2016 [1]
	On demand or after notice[2]	Fixed term[3]	Total	Total
Personal	29,050	24,556	53,606	52,521
Business and government	42,787	49,660	92,447	83,905
Deposit-taking institutions	2,487	2,620	5,107	5,640
	74,324	76,836	151,160	142,066

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

The *Deposits – Business and government* item includes, among other items, covered bonds, the balance of which was $6.9 billion as at April 30, 2017 ($6.7 billion as at October 31, 2016).

During the six months ended April 30, 2017, the Bank issued covered bonds in an amount of 70 million pounds sterling (no issuance during the six months ended April 30, 2016). See Note 22 for additional information on covered bonds.

NOTE 10 – OTHER LIABILITIES

	As at April 30, 2017	As at October 31, 2016
Accounts payable and accrued expenses	1,288	1,510
Subsidiaries' debts to third parties	1,115	1,447
Interest and dividends payable	754	832
Due to clients, dealers and brokers[1]	656	540
Defined benefit liability	304	314
Deferred tax liabilities	36	57
Current tax liabilities	67	215
Insurance liabilities	62	71
Other items[2][3]	845	900
	5,127	5,886

(1) An amount of $540 million reported in the *Due to clients, dealers and brokers* item on the Consolidated Balance Sheet as at October 31, 2016 is now reported in *Other liabilities*.
(2) As at April 30, 2017, other items included an $86 million restructuring provision ($152 million as at October 31, 2016). See Note 11 for additional information.
(3) As at April 30, 2017, other items included a $21 million litigation provision ($18 million as at October 31, 2016).

NOTE 11 – RESTRUCTURING

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

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

	Severance pay	Other	Total
As at October 31, 2015	51	16	67
Restructuring charge	129	2	131
Payments during the year	(34)	(12)	(46)
As at October 31, 2016	146	6	152
Payments during the period	(65)	(1)	(66)
As at April 30, 2017	**81**	**5**	**86**

(unaudited) (millions of Canadian dollars)

NOTE 12 – SUBORDINATED DEBT

On April 11, 2017, the Bank redeemed $1.0 billion of medium-term notes maturing on April 11, 2022 at a price equal to their nominal value plus accrued interest.

NOTE 13 – SHARE CAPITAL

Shares Outstanding

	As at April 30, 2017		As at October 31, 2016	
	Number of shares	Shares $	Number of shares	Shares $
First Preferred Shares				
Series 28	8,000,000	200	8,000,000	200
Series 30	14,000,000	350	14,000,000	350
Series 32	12,000,000	300	12,000,000	300
Series 34	16,000,000	400	16,000,000	400
Series 36	16,000,000	400	16,000,000	400
	66,000,000	1,650	66,000,000	1,650
Common shares at beginning of the fiscal year	338,053,054	2,645	337,236,322	2,614
Issued pursuant to the Stock Option Plan	3,526,995	149	1,122,756	43
Impact of shares purchased or sold for trading(1)	51,917	3	(306,024)	(12)
Other	(108,341)	(4)	–	–
Common shares at end of the period	341,523,625	2,793	338,053,054	2,645

(1) As at April 30, 2017, 89,780 shares were sold short for trading, representing a total amount of $5 million (37,863 shares representing $2 million as at October 31, 2016).

Dividends Declared

	Six months ended April 30			
	2017		2016	
	Dividends $	Dividends per share	Dividends $	Dividends per share
First Preferred Shares				
Series 28	4	0.4750	4	0.4750
Series 30	7	0.5125	7	0.5125
Series 32	6	0.4875	6	0.4876
Series 34	11	0.7000	7	0.4373
Series 36	11	0.6750	–	–
	39		24	
Common shares	382	1.1200	364	1.0800
	421		388	

Common Shares Held in Escrow

As part of the acquisition of Wellington West Holdings Inc. in 2011, the Bank had issued common shares held in escrow. In December 2016, 799,563 of these shares were released to shareholders. In addition, 108,341 shares were cancelled, mainly upon the settlement of certain indemnifications guaranteed by those shares. As at April 30, 2017, the number of common shares held in escrow was 28,881 (936,785 as at October 31, 2016). The Bank expects that the remaining shares in escrow will be settled by the end of calendar year 2017.

(unaudited) (millions of Canadian dollars)

NOTE 14 – NON-CONTROLLING INTERESTS

	As at April 30, 2017	As at October 31, 2016
Trust units issued by NBC Asset Trust (NBC CapS II)		
Series 1[1]	410	410
Series 2[2]	359	359
Other	29	41
	798	810

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

NOTE 15 – CAPITAL DISCLOSURE

OSFI is requiring Canadian banks to meet the 2019 minimum "all-in" requirements, regardless of the transition period set out by the Basel Committee on Banking Supervision (BCBS). Consequently, the Bank has to maintain, on an "all-in" basis, 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 of these ratios are to include a capital conservation buffer of 2.5% and a 1% surcharge applicable to Domestic Systemically Important Banks.

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

During the quarter and six months ended April 30, 2017, the Bank was in compliance with all of OSFI's regulatory capital requirements.

Regulatory Capital and Ratios Under Basel III[1]

	As at April 30, 2017	As at October 31, 2016
Capital		
CET1	7,470	6,865
Tier 1	9,871	9,265
Total	10,087	10,506
Risk-weighted assets		
CET1 capital	69,383	68,205
Tier 1 capital	69,533	68,430
Total capital	69,653	68,623
Total exposure	262,382	253,097
Capital ratios		
CET1	10.8 %	10.1 %
Tier 1	14.2 %	13.5 %
Total	14.5 %	15.3 %
Leverage ratio	3.8 %	3.7 %

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

(unaudited) (millions of Canadian dollars)

NOTE 16 – 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 April 30		Six months ended April 30	
	2017	2016	**2017**	2016
Net interest income	**109**	133	**234**	258
Non-interest income	**76**	8	**170**	55
	185	141	**404**	313

NOTE 17 – SHARE-BASED PAYMENTS

Stock Option Plan

During the quarters ended April 30, 2017 and 2016, the Bank did not award any stock options. During the six months ended April 30, 2017, the Bank awarded 1,804,016 stock options (2,140,420 stock options during the six-month period ended April 30, 2016) with an average fair value of $5.75 per option ($3.70 in 2016).

As at April 30, 2017, there were 15,384,103 stock options outstanding (17,302,322 stock options as at October 31, 2016).

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

	Six months ended April 30	
	2017	2016
Risk-free interest rate	**1.59%**	1.43%
Expected life of options	**7 years**	7 years
Expected volatility	**20.53%**	21.12%
Expected dividend yield	**4.41%**	5.33%

Compensation expense is presented in the following table.

	Quarter ended April 30		Six months ended April 30	
	2017	2016	**2017**	2016
Compensation expense recorded for stock options	**3**	3	**6**	6

(unaudited) (millions of Canadian dollars)

NOTE 18 – 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 April 30
		Pension plans	Other post-employment benefit plans	
	2017	2016	**2017**	2016
Current service cost	**29**	19	**1**	1
Interest expense (income), net	**1**	(2)	**2**	2
Administrative expenses	**1**	1		
Expense recognized in *Net income*	**31**	18	**3**	3
Remeasurements(1)				
Actuarial (gains) losses on defined benefit obligation	**282**	56	**13**	2
Return on plan assets(2)	**(186)**	(79)		
Remeasurements recognized in *Other comprehensive income*	**96**	(23)	**13**	2
	127	(5)	**16**	5

				Six months ended April 30
		Pension plans	Other post-employment benefit plans	
	2017	2016	**2017**	2016
Current service cost	**57**	38	**2**	2
Interest expense (income), net	**3**	(4)	**4**	4
Administrative expenses	**2**	2		
Expense recognized in *Net income*	**62**	36	**6**	6
Remeasurements(1)				
Actuarial (gains) losses on defined benefit obligation	**35**	188	**1**	8
Return on plan assets(2)	**(89)**	(9)		
Remeasurements recognized in *Other comprehensive income*	**(54)**	179	**1**	8
	8	215	**7**	14

(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 19 – INCOME TAXES

During the quarter ended April 30, 2017, the Canada Revenue Agency (CRA) issued a proposed reassessment to the Bank for the 2011 and 2012 taxation years. In May 2017, the CRA reassessed the Bank for the 2012 taxation year. The transactions to which the proposed reassessment and the actual reassessment relate are similar to those prospectively addressed by the synthetic equity arrangement rules introduced in the 2015 Canadian federal budget. The proposed reassessment and the actual reassessment (including estimated provincial income taxes and interest) total approximately $173 million. The CRA may issue reassessments to the Bank in respect of similar activities for fiscal years subsequent to 2012. The Bank is confident that its tax position was appropriate and intends to vigorously defend its position. As a result, no amount has been recognized in the consolidated financial statements.

NOTE 20 – 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 April 30		Six months ended April 30	
	2017	2016	**2017**	2016
Basic earnings per share				
Net income attributable to the Bank's shareholders	**462**	193	**940**	432
Dividends on preferred shares	**20**	16	**39**	24
Premium paid on preferred shares redeemed for cancellation	**–**	–	**–**	3
Net income attributable to common shareholders	**442**	177	**901**	405
Weighted average basic number of common shares outstanding *(thousands)*	**341,107**	337,329	**340,278**	337,200
Basic earnings per share *(dollars)*	**1.30**	0.52	**2.65**	1.20
Diluted earnings per share				
Net income attributable to common shareholders	**442**	177	**901**	405
Weighted average basic number of common shares outstanding *(thousands)*	**341,107**	337,329	**340,278**	337,200
Adjustment to average number of common shares *(thousands)*				
Stock options(1)	**4,309**	2,201	**4,014**	2,177
Weighted average diluted number of common shares outstanding *(thousands)*	**345,416**	339,530	**344,292**	339,377
Diluted earnings per share *(dollars)*	**1.28**	0.52	**2.62**	1.19

(1) For the quarter ended April 30, 2017, 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. For the quarter ended April 30, 2016, the calculation of diluted earnings per share excluded an average number of 7,887,413 options outstanding with a weighted average exercise price of $45.36, as the exercise price of these options was greater than the average price of the Bank's common shares. For the six months ended April 30, 2017, the calculation of diluted earnings per share excluded an average number of 1,383,072 options outstanding with a weighted average exercise price of $54.69 (7,481,062 options outstanding with a weighted average exercise price of $45.36 for the six months ended April 30, 2016), as the exercise price of these options was greater than the average price of the Bank's common shares.

NOTE 21 – CONTINGENT LIABILITIES

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

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

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

(unaudited) (millions of Canadian dollars)

NOTE 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, 2016. For a detailed description of the Bank's structured entities, see Note 28 to the audited annual consolidated financial statements for the year ended October 31, 2016. The Bank's maximum exposure to loss resulting from its interests in these structured entities consists primarily of the investments in these entities, the fair value of derivative financial instrument contracts entered into with them, and the backstop liquidity and credit enhancement facilities granted to certain structured entities.

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

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

					As at April 30, 2017
	Multi-seller conduits(1)	Master asset vehicles(2)	Investment funds(3)	Private investments(4)	Asset-backed structured entity(5)
Assets on the Consolidated Balance Sheet					
Securities at fair value through profit or loss	1	–	48	–	–
Available-for-sale securities	–	–	61	88	–
Held-to-maturity securities	–	–	–	–	1,422
	1	–	109	88	1,422
As at October 31, 2016	10	619	86	97	503
Liabilities on the Consolidated Balance Sheet					
Derivative financial instruments	3	–	–	–	–
As at October 31, 2016	–	–	–	–	–
Maximum exposure to loss					
Securities	1	–	109	88	1,422
Liquidity and credit enhancement facilities	2,689	–	–	–	–
	2,690	–	109	88	1,422
As at October 31, 2016	2,883	1,419	86	97	503
Total assets of the structured entities	2,722	–	456	3,180	3,106
As at October 31, 2016	2,912	–	303	2,650	813

(1) The main underlying assets, located in Canada, are residential mortgages, automobile loans, automobile inventory financings, and other receivables. As at April 30, 2017, the notional committed amount of the global-style liquidity facilities totalled $2.7 billion ($2.9 billion as at October 31, 2016), representing the total amount of commercial paper outstanding. The Bank also provides series-wide credit enhancement facilities for a notional committed amount of $30 million ($30 million as at October 31, 2016). The maximum exposure to loss cannot exceed the amount of commercial paper outstanding. As at April 30, 2017, the Bank held $1 million in commercial paper ($4 million as at October 31, 2016) and, consequently, the maximum potential amount of future payments as at April 30, 2017 was limited to $2.7 billion ($2.9 billion as at October 31, 2016), which represents the undrawn liquidity and credit enhancement facilities.

(2) As at April 30, 2017, the carrying value of the restructured notes of the master asset vehicle (MAV) conduits and of the other restructured notes held by the Bank was nil ($619 million as at October 31, 2016). The change in the carrying value of the restructured notes of the MAV conduits during the six months ended April 30, 2017 was mainly attributable to capital repayments. During the six months ended April 30, 2017, given the repayment of the restructured notes, the Bank ceased its commitment to contribute to the margin funding facility of the MAV conduits. The undrawn margin funding facility amounted to $800 million as at October 31, 2016.

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

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

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

(unaudited) (millions of Canadian dollars)

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

	As at April 30, 2017		As at October 31, 2016	
	Investments and other assets	Total assets(1)	Investments and other assets	Total assets(1)
Consolidated structured entities				
Securitization entity for the Bank's credit card receivables(2)(3)	711	1,630	343	1,882
Investment funds(4)	303	389	156	199
Covered bonds(5)	12,698	12,933	13,908	14,176
Building(6)	64	57	66	59
NBC Asset Trust(7)	1,350	2,119	1,350	2,121
Third-party structured entities(8)	484	484	867	867
	15,610	17,612	16,690	19,304

(1) There are restrictions that stem mainly from regulatory requirements, corporate or securities laws and contractual arrangements that limit the ability of certain consolidated structured entities to transfer funds to the Bank.
(2) The underlying assets are credit card receivables.
(3) The Bank's investment is presented net of third-party holdings.
(4) The underlying assets are various financial instruments and are presented on a net asset basis. Certain investment funds are in a trading portfolio.
(5) The underlying assets are uninsured residential mortgage loans of the Bank. The average maturity of these underlying assets is two years. As at April 30, 2017, the total amount of transferred mortgage loans was $12.7 billion ($13.9 billion as at October 31, 2016), and the total amount of covered bonds of $6.9 billion was recognized in *Deposits* on the Consolidated Balance Sheet ($6.7 billion as at October 31, 2016). For additional information, see Note 9.
(6) The underlying asset is a building located in Canada.
(7) The underlying assets are insured and uninsured residential mortgage loans of the Bank. As at April 30, 2017, insured loans amounted to $112 million ($148 million as at October 31, 2016). The average maturity of the underlying assets is two years. For additional information, see Note 14.
(8) The underlying assets consist of equipment leased under operating leases.

(unaudited) (millions of Canadian dollars)

NOTE 23 – SEGMENT DISCLOSURES

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

Quarter ended April 30[1]

	Personal and Commercial		Wealth Management		Financial Markets		USSF&I		Other		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Net interest income[2]	**496**	471	**102**	91	**197**	254	**48**	7	**(81)**	(108)	**762**	715
Non-interest income[2]	**238**	227	**291**	262	**207**	104	**74**	69	**25**	48	**835**	710
Total revenues	**734**	698	**393**	353	**404**	358	**122**	76	**(56)**	(60)	**1,597**	1,425
Non-interest expenses	**410**	401	**258**	244	**165**	155	**55**	41	**53**	35	**941**	876
Contribution	**324**	297	**135**	109	**239**	203	**67**	35	**(109)**	(95)	**656**	549
Provisions for credit losses[3]	**6**	315	**–**	2	**–**	–	**10**	–	**40**	–	**56**	317
Income before income taxes (recovery)	**318**	(18)	**135**	107	**239**	203	**57**	35	**(149)**	(95)	**600**	232
Income taxes (recovery)[2]	**85**	(5)	**36**	29	**64**	54	**17**	13	**(86)**	(69)	**116**	22
Net income	**233**	(13)	**99**	78	**175**	149	**40**	22	**(63)**	(26)	**484**	210
Non-controlling interests	**–**	–	**–**	–	**–**	–	**8**	4	**14**	13	**22**	17
Net income attributable to the Bank's shareholders	**233**	(13)	**99**	78	**175**	149	**32**	18	**(77)**	(39)	**462**	193
Average assets	**95,755**	91,841	**11,382**	11,022	**98,210**	81,841	**6,799**	5,010	**38,887**	40,879	**251,033**	230,593

Six months ended April 30[1]

	Personal and Commercial		Wealth Management		Financial Markets		USSF&I		Other		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Net interest income[4]	**1,006**	956	**206**	180	**429**	482	**90**	14	**(171)**	(201)	**1,560**	1,431
Non-interest income[4]	**483**	466	**584**	529	**394**	60	**150**	170	**59**	58	**1,670**	1,283
Total revenues	**1,489**	1,422	**790**	709	**823**	542	**240**	184	**(112)**	(143)	**3,230**	2,714
Non-interest expenses	**822**	817	**517**	495	**335**	299	**111**	89	**125**	79	**1,910**	1,779
Contribution	**667**	605	**273**	214	**488**	243	**129**	95	**(237)**	(222)	**1,320**	935
Provisions for credit losses[3]	**58**	377	**1**	3	**–**	–	**17**	–	**40**	–	**116**	380
Income before income taxes (recovery)	**609**	228	**272**	211	**488**	243	**112**	95	**(277)**	(222)	**1,204**	555
Income taxes (recovery)[4]	**163**	61	**72**	56	**130**	90	**34**	33	**(176)**	(156)	**223**	84
Net income	**446**	167	**200**	155	**358**	153	**78**	62	**(101)**	(66)	**981**	471
Non-controlling interests	**–**	–	**–**	–	**–**	–	**14**	12	**27**	27	**41**	39
Net income attributable to the Bank's shareholders	**446**	167	**200**	155	**358**	153	**64**	50	**(128)**	(93)	**940**	432
Average assets	**95,290**	91,490	**11,340**	10,983	**97,495**	83,739	**6,726**	4,681	**37,654**	40,519	**248,505**	231,412

(1) For the quarter ended and six month-period ended April 30, 2016, certain amounts have been revised from those previously reported, particularly in the Personal and Commercial segment, where an amount of $6 million reported in *Non-interest income* was reclassified to *Net interest income* ($16 million for the six months ended April 30, 2016).

(2) *Net interest income, Non-interest income* and *Income taxes (recovery)* of the business segments are presented on a taxable equivalent basis. Taxable equivalent basis is a calculation method that consists of grossing up certain tax-exempt income by the amount of income tax that would have been otherwise payable. For the business segments as a whole, *Net interest income* was grossed up by $46 million ($75 million in 2016), *Non-interest income* was grossed up by $7 million ($2 million in 2016) and an equivalent amount was recognized in *Income taxes (recovery)*. The effect of these adjustments is reversed under the *Other* heading.

(3) During the quarter ended April 30, 2017, the Bank reversed, by $40 million, the sectoral provision on non-impaired loans recorded for the oil and gas producer and service company loan portfolio presented in the Personal and Commercial segment, and the $40 million in provisions for credit losses in the *Other* heading reflects an increase in the collective allowance for credit risk on non-impaired loans. For the quarter and six-month period ended April 30, 2016, the provisions for credit losses included a $250 million sectoral provision on non-impaired loans recorded for the oil and gas producer and service company loan portfolio that was presented in the Personal and Commercial segment.

(4) For the six months ended April 30, 2017, *Net interest income* was grossed up by $114 million ($130 million in 2016), *Non-interest income* was grossed up by $11 million ($2 million in 2016), and an equivalent amount was recognized in *Income taxes (recovery)*. The effect of these adjustments is reversed under the *Other* heading.

Personal and Commercial

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

Wealth Management

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

Financial Markets

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

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

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

Other

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

NOTE 24 – EVENT AFTER THE CONSOLIDATED BALANCE SHEET DATE

Repurchase of Common Shares

On May 30, 2017, the Board of Directors of the Bank approved a normal course issuer bid to repurchase for cancellation up to 6,000,000 common shares over the 12-month period between June 5, 2017 and June 4, 2018. This issuer bid is subject to the approval of OSFI and the Toronto Stock Exchange.

INFORMATION FOR SHAREHOLDERS AND INVESTORS

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

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

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

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

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

Disclosure of Second Quarter 2017 Results

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

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

Financial Documents
- The *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