

PRESS RELEASE

National Bank releases its fourth quarter and year-end 2011 results:

- Record net income of \$1,213 million for fiscal 2011
- At 75 cents per share, the quarterly dividend increased by 6%

This press release provides unaudited financial information that is based on the interim unaudited consolidated financial statements and on the annual audited consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles (GAAP). It should be read together with the 2011 Annual Report (which includes the annual audited consolidated financial statements and corresponding management's discussion and analysis) available on the Bank's website at www.nbc.ca. Additional information about National Bank of Canada, including the Annual Information Form, can be obtained from the SEDAR website at www.sedar.com or the Bank's website at www.nbc.ca.

Highlights:

- Fourth quarter net income of \$294 million, up 2% from \$287 million in the fourth quarter of 2010
- Diluted earnings per share of \$1.74 for the fourth quarter of 2011, up 5% from \$1.66 for the fourth quarter of 2010
- Record net income of \$1,213 million for fiscal 2011, up 17% from \$1,034 million in fiscal 2010
- Diluted earnings per share of \$6.85 for fiscal 2011, up 15% from \$5.94 in fiscal 2010
- Pro forma Core Tier 1 capital ratio under Basel III of 7.6% as at October 31, 2011

Highlights excluding specified items⁽¹⁾:

- Fourth quarter net income of \$303 million, up 7% from \$282 million in the fourth quarter of 2010
- Diluted earnings per share of \$1.80 for the fourth quarter of 2011, up 10% from \$1.63 for the fourth quarter of 2010
- Record net income of \$1,203 million for fiscal 2011, up 11% from \$1,084 million in fiscal 2010
- Diluted earnings per share of \$7.00 for fiscal 2011, up 12% from \$6.25 in fiscal 2010

(1) The financial reporting method is explained in detail on page 2.

MONTREAL, December 8, 2011 – National Bank reports net income of \$294 million in the fourth quarter of fiscal 2011, up 2% from \$287 million in the fourth quarter of 2010. Diluted earnings per share for the quarter ended October 31, 2011 stood at \$1.74, up \$0.08 or 5% from \$1.66 in the same quarter of 2010. These fourth quarter results include \$4 million, net of income taxes, in charges related to the Wellington West Holdings Inc. acquisition and \$5 million, net of income taxes, in severance pay resulting from the streamlining of certain financial markets activities. In fiscal 2010, the fourth quarter specified items had included a \$15 million restructuring charge, net of income taxes, a \$2 million impairment of an intangible asset, a \$25 million reversal of provisions for income tax contingencies, and \$3 million, net of income taxes, in holding charges for restructured notes. Excluding specified items, fourth quarter net income was \$303 million, up 7% from \$282 million in the fourth quarter of 2010, and fourth quarter diluted earnings per share were \$1.80, up 10% from \$1.63 in the fourth quarter of 2010.

For fiscal 2011, the Bank's net income totalled \$1,213 million, up 17% from \$1,034 million in fiscal 2010. Diluted earnings per share stood at \$6.85 for fiscal 2011, up \$0.91 or 15% from \$5.94 in fiscal 2010. Excluding the specified items described on page 2, net income for fiscal 2011 was \$1,203 million, up 11% from \$1,084 million in fiscal 2010, and diluted earnings per share were \$7.00 for fiscal 2011 compared to \$6.25 for fiscal 2010.

"National Bank delivered record results for 2011 and raised its dividend by 6% to \$0.75 per share for the next quarter. The *One client, one bank* program enjoyed steady progress during the year, and the Bank will continue deploying it in 2012. Given the economic and financial uncertainty, especially in Europe, the Bank will remain vigilant in the management of its operations," said President and Chief Executive Officer, Louis Vachon.

Financial Indicators

Financial Indicators	Results	Results	Results	Results
	Q4 2011	excluding specified items ⁽¹⁾	Fiscal 2011	excluding specified items ⁽¹⁾
Growth in diluted earnings per share	5 %	10 %	15 %	12 %
Return on common shareholders' equity	17.1 %	17.7 %	17.7 %	18.1 %
Tier 1 capital ratio under Basel II	13.6 %	13.6 %	13.6 %	13.6 %
Pro forma Core Tier 1 capital ratio under Basel III	7.6 %	7.6 %	7.6 %	7.6 %
Dividend payout ratio	40 %	39 %	40 %	39 %

(1) See "Financial Reporting Method" on page 2.

Financial Reporting Method

The Bank uses certain measurements that are not in accordance with generally accepted accounting principles (GAAP) to assess results. Securities regulators require companies to caution readers that net income and other measurements adjusted using non-GAAP criteria are not standard under GAAP and cannot be easily compared with similar measurements used by other companies.

Financial Information

(unaudited) (millions of dollars)

	Quarter ended			Fiscal year ended		
	October 31, 2011	October 31, 2010	% Change	October 31, 2011	October 31, 2010	% Change
Excluding specified items						
Personal and Commercial	156	147	6	630	578	9
Wealth Management	39	33	18	163	114	43
Financial Markets	113	123	(8)	502	481	4
Other	(5)	(21)		(92)	(89)	
Net income excluding specified items	303	282	7	1,203	1,084	11
Less: Charges related to the acquisition of Wellington West Holdings Inc. ⁽¹⁾	(4)	-		(4)	-	
Less: Severance pay ⁽²⁾	(5)	-		(10)	-	
Less: Litigation provisions ⁽³⁾	-	-		(8)	-	
Less: Restructuring charge ⁽⁴⁾	-	(15)		-	(15)	
Less: Holding charges for restructured notes of the MAV conduits ⁽⁵⁾	-	(3)		-	(8)	
Less: Impairment of an intangible asset ⁽⁶⁾	-	(2)		-	(2)	
Less: Administrative penalty ⁽⁷⁾	-	-		-	(75)	
Plus: Reversal of allowances for credit losses ⁽⁸⁾	-	-		11	-	
Plus: Reversal of provisions for income tax contingencies ⁽⁹⁾	-	25		21	50	
Net income	294	287	2	1,213	1,034	17
Diluted earnings per common share excluding specified items	\$ 1.80	\$ 1.63	10	\$ 7.00	\$ 6.25	12
Less: Charges related to the acquisition of Wellington West Holdings Inc. ⁽¹⁾	(0.03)	-		(0.03)	-	
Less: Severance pay ⁽²⁾	(0.03)	-		(0.06)	-	
Less: Litigation provisions ⁽³⁾	-	-		(0.05)	-	
Less: Premium paid on preferred shares repurchased for cancellation ⁽¹⁰⁾	-	-		(0.21)	-	
Less: Restructuring charge ⁽⁴⁾	-	(0.09)		-	(0.09)	
Less: Holding charges for restructured notes of the MAV conduits ⁽⁵⁾	-	(0.02)		-	(0.05)	
Less: Impairment of an intangible asset ⁽⁶⁾	-	(0.01)		-	(0.01)	
Less: Administrative penalty ⁽⁷⁾	-	-		-	(0.46)	
Plus: Reversal of allowances for credit losses ⁽⁸⁾	-	-		0.07	-	
Plus: Reversal of provisions for income tax contingencies ⁽⁹⁾	-	0.15		0.13	0.30	
Diluted earnings per common share	\$ 1.74	\$ 1.66	5	\$ 6.85	\$ 5.94	15
Return on common shareholders' equity						
Including specified items	17.1 %	18.0 %		17.7 %	17.0 %	
Excluding specified items	17.7 %	17.5 %		18.1 %	17.7 %	

- (1) During the quarter ended October 31, 2011, the Bank recognized \$5 million in charges (\$4 million net of income taxes) related to the acquisition of Wellington West Holdings Inc. The charges included \$3.9 million in retention bonuses, \$0.7 million for the amortization of an intangible asset, and \$0.2 million in integration costs.
- (2) During the quarter ended October 31, 2011, the Bank recorded \$5 million in severance pay, net of income taxes, resulting from the streamlining of certain financial markets activities. During the fiscal year ended October 31, 2011, \$10 million in severance pay, net of income taxes, was recorded as a result of streamlining measures in certain financial markets activities and the acquisition of Wellington West Holdings Inc.
- (3) During the fiscal year ended October 31, 2011, \$8 million in litigation provisions, net of income taxes, were recorded.
- (4) During the quarter ended October 31, 2010, the Bank had recognized a \$15 million restructuring charge, net of income taxes. This charge had consisted mostly of severance pay related to the restructuring of certain activities in the investment dealer subsidiary.
- (5) During the quarter ended October 31, 2011, the holding charges for restructured notes of the master asset vehicle (MAV) conduits were negligible (\$3 million in 2010), net of income taxes. During the fiscal year ended October 31, 2011, the holding charges for restructured notes of the MAV conduits were negligible (\$8 million in 2010), net of income taxes.
- (6) During the quarter ended October 31, 2010, the Bank had recorded a \$2 million charge for the impairment of an intangible asset related to Altamira's activities.
- (7) During the fiscal year ended October 31, 2010, a \$75 million administrative penalty had been recognized as part of a settlement of an agreement affecting the entire asset-backed commercial paper industry.
- (8) During the fiscal year ended October 31, 2011, there was a reversal of \$11 million, net of income taxes, in allowances for credit losses taken for loans and credit facilities secured by restructured notes of the MAV conduits.
- (9) During the quarter ended October 31, 2010, \$25 million in income tax provisions had been reversed following a revaluation of contingent income tax liabilities. During the fiscal year ended October 31, 2011, a \$21 million reversal was recorded following a revaluation of contingent income tax liabilities (\$50 million in 2010).
- (10) During the fiscal year ended October 31, 2011, a \$34 million premium was paid on the Series 21, 24 and 26 First Preferred Shares repurchased for cancellation.

Highlights

(unaudited) (millions of dollars)

	Quarter ended			Fiscal year ended		
	October 31, 2011	October 31, 2010	% Change	October 31, 2011	October 31, 2010	% Change
Operating results						
Total revenues	\$ 1,190	\$ 1,098	8	\$ 4,592	\$ 4,289	7
Total revenues adjusted for non-controlling interests ⁽¹⁾	1,194	1,087	10	4,597	4,284	7
Net income	294	287	2	1,213	1,034	17
Return on common shareholders' equity	17.1 %	18.0 %		17.7 %	17.0 %	
Per common share (dollars)						
Earnings – Basic	\$ 1.76	\$ 1.67	5	\$ 6.93	\$ 5.99	16
Earnings – Diluted	1.74	1.66	5	6.85	5.94	15
EXCLUDING SPECIFIED ITEMS⁽²⁾						
Operating results						
Total revenues	\$ 1,190	\$ 1,101	8	\$ 4,592	\$ 4,300	7
Total revenues adjusted for non-controlling interests ⁽¹⁾	1,194	1,090	10	4,597	4,295	7
Net income	303	282	7	1,203	1,084	11
Return on common shareholders' equity	17.7 %	17.5 %		18.1 %	17.7 %	
Per common share (dollars)						
Earnings – Basic	\$ 1.81	\$ 1.64	10	\$ 7.08	\$ 6.30	12
Earnings – Diluted	1.80	1.63	10	7.00	6.25	12
Per common share (dollars)						
Dividends declared	\$ 0.71	\$ 0.62		\$ 2.74	\$ 2.48	
Book value				40.97	37.59	
Stock trading range						
High	73.51	67.87		81.44	67.87	
Low	66.65	55.53		64.86	54.45	
Close	71.14	67.13		71.14	67.13	

	As at October 31, 2011	As at October 31, 2010	% Change
Financial position			
Total assets	\$ 156,297	\$ 145,302	8
Loans and acceptances ⁽³⁾	71,215	63,134	13
Deposits	87,114	81,785	7
Subordinated debentures and shareholders' equity	9,336	9,241	1
Pro forma Core Tier 1 capital ratio under Basel III	7.6 %	7.6 %	
Capital ratios – BIS under Basel II			
Tier 1	13.6 %	14.0 %	
Total	16.9 %	17.5 %	
Capital ratios – BIS under Basel I			
Tier 1	11.1 %	12.1 %	
Total	14.1 %	15.6 %	
Impaired loans, net of specific and general allowances	(143)	(267)	
As a % of loans and acceptances	(0.2) %	(0.4) %	
Assets under administration/management	238,121	235,541	
Total personal savings	133,798	118,098	
Interest coverage	9.85	9.03	
Asset coverage	4.29	4.48	
Other information			
Number of employees	19,431	18,322	6
Number of branches in Canada	448	442	1
Number of banking machines	893	869	3

(1) Adjusted for gains or losses attributable to third parties.

(2) See "Financial Reporting Method" on page 2.

(3) Net of securitized assets.

Segment Disclosures

(unaudited) (millions of dollars)

Quarter ended October 31	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	Personal and Commercial		Wealth Management		Financial Markets		Other		Total	
Net interest income ⁽¹⁾	403	395	36	30	177	212	(127)	(145)	489	492
Other income	250	230	198	167	162	140	91	69	701	606
Total revenues	653	625	234	197	339	352	(36)	(76)	1,190	1,098
Operating expenses	382	367	186	152	190	191	18	9	776	719
Contribution	271	258	48	45	149	161	(54)	(85)	414	379
Provisions for credit losses	51	53	-	-	-	2	(15)	(18)	36	37
Income (loss) before income taxes (recovery) and non-controlling interests	220	205	48	45	149	159	(39)	(67)	378	342
Income taxes (recovery) ⁽²⁾	64	58	12	13	46	39	(48)	(82)	74	28
Non-controlling interests	-	-	1	1	(5)	12	14	14	10	27
Net income (loss)	156	147	35	31	108	108	(5)	1	294	287
Average assets	70,290	63,301	1,036	970	103,101	93,247	(15,235)	(14,762)	159,192	142,756

Fiscal year ended October 31	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	Personal and Commercial		Wealth Management		Financial Markets		Other		Total	
Net interest income ⁽²⁾	1,585	1,515	131	108	743	822	(508)	(527)	1,951	1,918
Other income	964	927	751	666	677	525	249	253	2,641	2,371
Total revenues	2,549	2,442	882	774	1,420	1,347	(259)	(274)	4,592	4,289
Operating expenses	1,461	1,413	658	606	736	672	67	131	2,922	2,822
Contribution	1,088	1,029	224	168	684	675	(326)	(405)	1,670	1,467
Provisions for credit losses	205	207	-	-	(5)	2	(81)	(65)	119	144
Income (loss) before income taxes (recovery) and non-controlling interests	883	822	224	168	689	673	(245)	(340)	1,551	1,323
Income taxes (recovery) ⁽²⁾	253	244	61	53	203	198	(233)	(274)	284	221
Non-controlling interests	-	-	4	3	(6)	9	56	56	54	68
Net income (loss)	630	578	159	112	492	466	(68)	(122)	1,213	1,034
Average assets	67,184	61,076	1,026	940	102,974	92,598	(15,545)	(14,254)	155,639	140,360

Personal and Commercial

The Personal and Commercial segment comprises the branch network, intermediary services, credit cards, insurance, business banking services, and real estate.

Wealth Management

The Wealth Management segment comprises full-service retail brokerage, direct brokerage, mutual funds, trust services, and portfolio management.

Financial Markets

The Financial Markets segment encompasses corporate financing and lending, trading activities, treasury operations, including asset and liability management for the Bank, and corporate brokerage.

Other

This heading comprises securitization transactions, certain non-recurring items, and the unallocated portion of corporate services.

Taxable equivalent basis

- The accounting policies are the same as those presented in Note 1 of the 2011 Annual Report, with the exception of the net interest income and income taxes (recovery) of the operating segments, which are presented on a taxable equivalent basis. Taxable equivalent basis is a calculation method that consists in grossing up certain tax-exempt income by the amount of income tax that would have been otherwise payable. For all of the operating segments, net interest income was grossed up by \$38 million (\$58 million in 2010). An equivalent amount was added to income taxes (recovery). The impact of these adjustments is reversed under the *Other* heading.
- For the fiscal year ended October 31, 2011, net interest income was grossed up by \$176 million (\$206 million in 2010). An equivalent amount was added to income taxes (recovery). The impact of these adjustments is reversed under the *Other* heading.

Analysis of Results

TOTAL REVENUES

The Bank's total revenues for the fourth quarter of 2011 amounted to \$1,190 million compared to \$1,098 million in the same quarter of 2010. Including non-controlling interests, fourth quarter total revenues totalled \$1,194 million, up \$107 million or 10% from \$1,087 million in the same quarter of 2010. Net interest income in the Personal and Commercial segment totalled \$403 million in the fourth quarter of 2011, an \$8 million increase owing mainly to growth in personal and commercial loan volumes that offset a decline in net interest margins. Fourth quarter trading activity revenues, including both net interest income and other income, totalled \$69 million, down from \$85 million in the fourth quarter of 2010.

Fourth quarter underwriting and advisory fees increased by \$6 million year-over-year due to growth in transaction volume. Securities brokerage commissions rose to \$89 million from \$75 million, a 19% increase that owes mainly to the inclusion of the activities of Wellington West Holdings Inc. Card service revenues were up \$4 million, while lending fees remained stable. Revenues from acceptances, letters of credit and letters of guarantee totalled \$45 million, up \$7 million mainly due to volume growth for this type of financing. At \$118 million, fourth quarter securitization revenues grew by \$32 million, due to new securitizations of insured mortgage loans. At \$113 million, revenues from trust services and mutual fund fees rose \$13 million as assets under management and administration increased, in part from the acquisition of Wellington West Holdings Inc. In contrast to these revenue increases, there was a year-over-year decrease in fourth quarter foreign exchange revenues, which went from \$33 million to \$27 million.

For fiscal 2011, total revenues amounted to \$4,592 million, up 7% from \$4,289 million in fiscal 2010. In the Personal and Commercial segment, net interest income totalled \$1,585 million, a \$70 million increase that stems from growth in loan and deposit volumes that more than offset narrowing net interest margins. Trading activity revenues, including both net interest income and other income, totalled \$318 million in fiscal 2011, down from \$357 million in fiscal 2010. Most of the Other income items were higher in fiscal 2011 than in fiscal 2010 due to sustained business levels during the year. Underwriting and advisory fees and securities brokerage commissions rose 15% and 9%, respectively, as a result of higher transaction volume and the inclusion of the results of Wellington West Holdings Inc. Securitization revenues increased \$56 million, and revenues from trust services and mutual fund fees increased by \$52 million to total \$427 million. Net gains on available-for-sale securities stood at \$85 million versus \$112 million in fiscal 2010. Card service revenues were also down, declining by \$4 million when compared to fiscal 2010, mainly due to higher securitization volume in 2011. Lending fees, which totalled \$163 million, were down \$5 million as a higher amount of fees had been collected on loan prepayments in 2010.

OPERATING EXPENSES

In the fourth quarter of 2011, operating expenses totalled \$776 million, up \$57 million or 8% when compared to the same quarter of 2010. Over half of the increase comes from the activities of Wellington West Holdings Inc., whose results are included in the quarter ended October 31, 2011. Another major factor in the higher operating expense was the salaries and staff benefits expense, particularly variable compensation, which rose as a result of revenue growth. Professional fees were also up, mainly as a result of technology investments.

For fiscal 2011, operating expenses totalled \$2,922 million, up \$100 million or 4% when compared to fiscal 2010. The acquisition of Wellington West Holdings Inc. accounted for approximately 30% of the increase, and the fiscal 2011 salaries and staff benefits and professional fees expenses also increased year-over-year for the same reasons provided for the quarterly results. Other expenses were lower mainly because an administrative penalty had been recorded in fiscal 2010.

PROVISIONS FOR CREDIT LOSSES

For the fourth quarter of 2011, the Bank's provisions for credit losses stood at \$36 million, slightly lower than the provisions recorded in the fourth quarter of fiscal 2010.

For fiscal 2011, the Bank recorded \$119 million in provisions for credit losses, \$25 million less than in fiscal 2010. Excluding the \$15 million specified item related to the reversal of allowances for credit losses taken for loans and credit facilities secured by restructured notes of the MAV conduits, provisions for credit losses would have been \$134 million, \$10 million less than in fiscal 2010. This change was mainly due to lower provisions for personal and credit card loan losses and to recoveries of corporate loan losses. The lower provisions for these credit losses were partly mitigated by the higher provisions for losses on commercial credit.

As at October 31, 2011, gross impaired loans stood at \$407 million, a \$38 million increase since October 31, 2010 that is attributable mostly to commercial loans. Impaired loans were 7.4% of adjusted tangible capital and allowances, up 0.7% since October 31, 2010. As at October 31, 2011, the allowance for credit losses exceeded gross impaired loans by \$143 million versus \$267 million as at October 31, 2010.

INCOME TAXES

Fourth quarter income taxes stood at \$74 million compared to \$28 million in the same quarter of 2010 and \$53 million in the previous quarter, and the fourth quarter tax rate was 20% compared to 8% year-over-year and 14% quarter-over-quarter. The increase in the effective rate for the fourth quarter of 2011 was due to a reversal of provisions for income tax contingencies in the same quarter of 2010 and in the previous quarter. Income taxes for fiscal years 2011 and 2010 were \$284 million and \$221 million, respectively, for effective tax rates of 18% and 17%, respectively.

Results by Segment

PERSONAL AND COMMERCIAL

In the Personal and Commercial segment, fourth quarter net income rose 6% to total \$156 million. Total revenues rose \$28 million to total \$653 million, mainly due to an increase in Other income, which reached \$250 million for the fourth quarter of 2011 compared to \$230 million for the same quarter of 2010. This increase was due to growth in card service revenues. At \$403 million, fourth quarter net interest income posted an \$8 million year-over-year increase that owes mainly to growth in personal and commercial loan volumes tempered by a narrowing of the net interest margin, which was 2.27% in the fourth quarter of 2011 compared to 2.48% in the same quarter of 2010, mainly due to lower spreads on loans and deposits.

Personal Banking's total revenues for the fourth quarter amounted to \$434 million, a \$20 million increase that was mostly due to higher loan volumes, especially consumer and mortgage loans, partly offset by a narrowing of net interest margins. At \$163 million, fourth quarter other income posted year-over-year growth of \$15 million that stems partly from higher card service revenues and insurance revenues. Commercial Banking's total revenues amounted to \$219 million, an \$8 million increase owing mainly to growth in loan volumes, which in turn created a \$6 million increase in lending fees.

Operating expenses for the Personal and Commercial segment stood at \$382 million in the fourth quarter of 2011, up \$15 million from the same quarter of 2010. Despite this increase, the fourth quarter efficiency ratio improved to 58% from the ratio of 59% in the fourth quarter of 2010. At \$51 million, the segment's provisions for credit losses were \$2 million lower, as the lower provisions for personal and credit card loan losses more than offset the higher provisions for commercial credit losses.

For fiscal 2011, the Personal and Commercial segment's net income stood at \$630 million, a \$52 million or 9% increase from the \$578 million in net income recorded in fiscal 2010. Total revenues amounted to \$2,549 million, a 4% increase that comes mainly from higher net interest income, which, at \$1,585 million, rose \$70 million. Personal Banking's total revenues were up \$64 million or 4%, mainly due to higher consumer and mortgage loan volumes mitigated by a decline in the spreads on loans and deposits, and Commercial Banking's total revenues rose \$43 million or 5% for the same reasons provided for the quarter. The segment's provisions for credit losses were \$205 million for fiscal 2011, \$2 million lower than in fiscal 2010. The efficiency ratio for fiscal 2011 improved to 57% from 58% in fiscal 2010.

WEALTH MANAGEMENT

In the Wealth Management segment, fourth quarter net income was \$35 million, up \$4 million or 13% from \$31 million in the fourth quarter of 2010. Fourth quarter total revenues amounted to \$234 million compared to \$197 million in the fourth quarter of 2010, an increase that owes mainly to Other income, which rose \$31 million or 19%. A large part of this increase is attributable to the acquisition of Wellington West Holdings Inc. The greater volume of assets under management and administration also generated revenue growth from trust services and mutual funds. In addition, commission revenues increased on the strength of greater brokerage activity. At \$186 million, fourth quarter operating expenses posted a year-over-year increase of \$34 million, which was mostly due to the acquisition of Wellington West Holdings Inc. that generated \$29 million in additional expenses for the quarter.

For fiscal 2011, the Wealth Management segment posted net income of \$159 million, a 42% increase compared to \$112 million for fiscal 2010. Total revenues amounted to \$882 million versus \$774 million during fiscal 2010. Other income grew \$85 million or 13%, partly due to the acquisition of Wellington West Holdings Inc., and revenues from trust services and mutual fund fees and from securities brokerage commissions also increased. Operating expenses stood at \$658 million compared to \$606 million in fiscal 2010, with over half of the increase being attributable to Wellington West Holdings Inc. The increase in salaries and variable compensation stems from growth in brokerage activity revenues. This 9% increase in expenses combined with the 14% revenue growth improved the efficiency ratio to 75% in fiscal 2011 from 78% in fiscal 2010.

FINANCIAL MARKETS

In the Financial Markets segment, fourth quarter net income totalled \$108 million, unchanged from the fourth quarter of 2010. Fourth quarter total revenues amounted to \$339 million compared to \$352 million in the fourth quarter of 2010. On a taxable-equivalent basis and including non-controlling interests related to trading activities, the fourth quarter revenues were \$343 million compared to \$341 million in the same quarter of 2010. Trading activity revenues on a taxable equivalent basis were \$109 million for the quarter, down \$32 million from the same year-earlier quarter, mainly due to lower revenues from equity and fixed income securities. All revenue types other than trading were up compared to the same quarter in 2010. The 10% growth in financial market fees came from greater capital issuance activity, and banking service revenues increased by 12%. The other Financial Market revenues also rose, benefitting from greater business activity experienced by treasury operations and the Credigy Ltd. subsidiary.

At \$190 million, fourth quarter operating expense posted a year-over-year decrease of \$1 million, as salaries and variable compensation decreased because charges for severance pay were lower this fourth quarter than they were in the fourth quarter of 2010. The lower operating expense was offset by higher costs related to the operations of the Credigy Ltd. subsidiary. No provisions for credit losses were recorded for the fourth quarter of 2011, whereas \$2 million in provisions had been recorded in the same quarter of 2010.

For fiscal 2011, net income for the Financial Markets segment totalled \$492 million, up \$26 million or 6% from fiscal 2010. Total revenues amounted to \$1,420 million compared to \$1,347 million for fiscal 2010. On a taxable equivalent basis and including non-controlling interests related to trading activities, revenues totalled \$1,425 million, up \$83 million or 6% from fiscal 2010, mainly due to financial market fees, banking services, treasury operations, and the activities of the Credigy Ltd. subsidiary. The segment's fiscal 2011 operating expenses were \$736 million, a \$64 million increase from fiscal 2010. An increase in salaries and variable compensation and higher costs related to the activities of the Credigy Ltd. subsidiary contributed to higher expenses. For fiscal 2011, the segment recovered \$5 million in credit losses, while \$2 million in provisions for credit losses had been recorded for fiscal 2010.

Results by Segment (cont'd)

Financial Market Revenues

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

	Q4		Fiscal year	
	2011	2010	2011	2010
Trading activity revenues				
Equity	55	73	245	243
Fixed income	22	46	140	199
Commodity and foreign exchange	32	22	93	85
	109	141	478	527
Financial market fees	66	60	270	244
Gains on available-for-sale securities, net	8	7	79	89
Banking services	67	60	260	239
Other	93	73	338	243
Total⁽²⁾	343	341	1,425	1,342

(1) See "Financial Reporting Method" on page 2.

(2) Including non-controlling interests.

OTHER

The *Other* heading of segment results posted a fourth quarter net loss of \$5 million in 2011 versus net income of \$1 million in the same quarter of 2010. During the fourth quarter of fiscal 2011, the Bank did not record any specified items, whereas in the fourth quarter of 2010, a reversal of \$25 million in provisions for income tax contingencies and \$3 million in holding charges for restructured notes of MAV conduits, net of income taxes, had been recorded. Excluding specified items, total revenues increased \$37 million in the fourth quarter of 2011 compared to the same quarter of 2010, due to higher securitization revenues. The segment's operating expenses were up \$9 million for the fourth quarter of 2011 due to an increase in variable compensation.

For fiscal 2011, the net loss was \$68 million compared to a \$122 million net loss for fiscal 2010. For fiscal 2011, litigation provisions and a reversal of allowances for credit losses were recorded in amounts of \$8 million and \$11 million, respectively, net of income taxes, as was a \$21 million reversal of income tax provisions. During fiscal 2010, the Bank had recorded a \$75 million administrative penalty, \$50 million in reversals of provisions for income tax contingencies and \$8 million in holding charges for restructured notes on MAV conduits, net of income taxes. Excluding specified items, the net loss for fiscal 2011 was \$92 million versus \$89 million for fiscal 2010.

Balance Sheet

As at October 31, 2011, the Bank had total assets of \$156.3 billion compared to \$145.3 billion as at October 31, 2010. Loan and acceptance balances were up \$8.1 billion, and cash, deposits with financial institutions, securities, and securities purchased under reverse repurchase agreements increased by \$3.0 billion since October 31, 2010, mainly due to an increase in securities. Lastly, goodwill increased since October 31, 2010 due to the acquisition of the remaining 82% interest in Wellington West Holdings Inc. during the third quarter of 2011.

At \$87.1 billion, deposits rose \$5.3 billion since October 31, 2010, in particular due to the US\$2.4 billion in covered bonds issued in fiscal 2011. Growth in other financing activities came from securities sold under repurchase agreements and subsidiary debts to third parties, presented under *Other liabilities*.

As at October 31, 2011, the Bank's shareholders' equity was \$7.3 billion compared to \$7.2 billion as at October 31, 2010. This increase is explained by the increase in net income less dividends, mitigated by the \$361 million repurchase for cancellation of preferred shares. The \$171 million in common shares issued in relation to the acquisition of Wellington West Holdings Inc. and the \$117 million in stock options exercised under the common share stock option plan were more than offset by the \$473 million repurchase of common shares for cancellation. Accumulated other comprehensive income amounted to \$142 million as at October 31, 2011 compared to \$168 million as at October 31, 2010. This change was mainly due to net losses on derivative financial instruments designated as cash flow hedges.

Shares and Stock Options as at October 31, 2011

	Number of shares	\$ million
First Preferred Shares		
Series 15	8,000,000	200
Series 16	8,000,000	200
Series 20	6,900,000	173
Series 21	3,410,861	85
Series 24	2,425,880	61
Series 26	1,724,835	43
	30,461,576	762
Common shares	160,474,334 ⁽¹⁾	2,016
Stock options	7,903,735 ⁽¹⁾	

(1) As at December 2, 2011, there were 160,410,526 common shares and 7,898,060 stock options outstanding.

The following table presents the main portfolios:

Average Monthly Volumes

(millions of dollars)

	October 2011	October 2010
Loans and acceptances⁽¹⁾		
Consumer loans	21,867	19,582
Residential mortgages	28,446	25,413
Credit card receivables	1,904	1,907
SME loans	19,631	17,617
Corporate loans	6,860	5,838
	78,708	70,357
Personal savings (balance)		
Deposits	35,695	34,112
Full-service brokerage	79,490	65,762
Mutual funds	13,659	13,193
Other	4,954	5,031
	98,103	83,986
Business deposits	16,801	14,872

(1) Including securitized assets.

As at October 31, 2011, loan and acceptance volumes totalled \$78.7 billion, up \$8.3 billion or 12% since October 31, 2010. Consumer loans were up 12%, totalling \$21.9 billion as at October 31, 2011, due primarily to home equity lines of credit, whereas credit card receivables remained stable. Traditional residential mortgages were also up by 12%, totalling \$28.4 billion as at October 31, 2011. SME loans advanced 11% since October 31, 2010 to stand at \$19.6 billion as at October 31, 2011. Corporate loans increased 18%, totalling \$6.9 billion as at October 31, 2011.

At \$35.7 billion as at October 31, 2011, personal deposits were up \$1.6 billion or 5% since October 31, 2010, owing essentially to transactional deposits and to the CashPerformer account. Off-balance-sheet personal savings administered by the Bank rose 17% since the beginning of the fiscal year to total \$98.1 billion as at October 31, 2011. The acquisition of Wellington West Holdings Inc. accounted for \$10.9 billion of this increase, the other factors being growth in both the volume and value of administered assets. Business deposits were up 13% or \$1.9 billion since October 31, 2010, amounting to \$16.8 billion as at October 31, 2011.

Balance Sheet (cont'd)

MASTER ASSET VEHICLES

As at October 31, 2011, the face value of the restructured notes of the master asset vehicle (MAV) conduits held by the Bank was \$2,015 million (\$1,926 million as at October 31, 2010), of which \$1,675 million was designated as *Held-for-trading securities* under the fair value option, and an amount of \$340 million was classified in *Available-for-sale securities* (\$1,664 million designated as *Held-for-trading securities* and \$262 million classified in *Available-for-sale securities* as at October 31, 2010). The increase in the face value of the restructured notes of the MAV conduits during fiscal 2011 was mainly due to restructured notes taken back from clients who had credit facilities backed by these notes, mitigated by capital repayments and certain write-offs.

The Bank has committed to contribute \$910 million to a margin funding facility related to the MAV conduits in order to finance potential collateral calls. As at October 31, 2011, no amount had been advanced by the Bank.

Establishing Fair Value

The carrying value of the restructured notes of the MAV conduits held by the Bank in an investment portfolio as at October 31, 2011, designated as *Held-for-trading securities*, was \$1,150 million, and \$86 million was classified in *Available-for-sale securities* (\$1,147 million designated as *Held-for-trading securities* and \$53 million classified in *Available-for-sale securities* as at October 31, 2010). The notes held in an investment portfolio with one or more embedded derivatives were designated as *Held-for-trading securities* under the fair value option, and the other notes were classified as *Available-for-sale securities*. The Bank took back restructured notes of the MAV conduits related to the credit facilities at a fair value of \$14 million during the fourth quarter of 2011.

In establishing the fair value of restructured notes of the MAV conduits, the Bank applied the same methodology used as at October 31, 2010, adjusted to take into account the effects of broker quotes and market conditions on the MAV II Class A-1, A-2, B and C notes. Since the carrying value of the restructured notes of the MAV conduits was within the range of the estimated fair value, no change was made to the carrying value as at October 31, 2011.

Credit Facilities to Clients Holding Restructured Notes of the MAV Conduits

As at October 31, 2011, credit facilities outstanding provided to clients holding the restructured notes of the MAV conduits stood at \$51 million (\$143 million as at October 31, 2010) and the allowance for credit losses was \$10 million (\$121 million as at October 31, 2010). The decrease in allowances recognized during fiscal 2011 results from a \$15 million reversal of allowances for credit losses taken for loans and credit facilities secured by restructured notes of the MAV conduits and \$96 million applied against restructured notes of the MAV conduits relating to credit facilities taken back by the Bank.

Capital

In accordance with Basel II, the Bank uses the Advanced Internal Rating-Based Approach to manage credit risk. For operational risk, the Bank uses the Standardized Approach and, for market risk, it primarily uses an approach based on internal models but uses the Standardized Approach for certain exposures. Detailed information is provided in the "Capital Management" section of the 2011 Annual Report. The new Basel III capital standards will gradually come into force from January 1, 2013 to January 1, 2019. The Bank expects that it will be able to achieve compliance with these new standards without resorting to the regulatory event redemption clause included in the capital instruments in question. As at October 31, 2011, the pro forma Core Tier 1 capital ratio under Basel III stood at 7.6%.

According to the rules of the Bank for International Settlements (BIS) – Basel II, the Tier 1 capital ratio and the total capital ratio stood at 13.6% and 16.9%, respectively, as at October 31, 2011, down slightly from 14.0% and 17.5%, respectively as at October 31, 2010. Net income growth net of dividends and the common shares issued for the acquisition of Wellington West Holdings Inc. were offset by the added goodwill resulting from this acquisition and by the repurchase of preferred shares and common shares for cancellation.

The risk-weighted assets calculated under the rules of Basel II increased and amounted to \$50.4 billion as at October 31, 2011 compared to \$49.8 billion as at October 31, 2010.

Acquisition

On September 20, 2011, the Bank entered into an agreement with HSBC Bank Canada and some of its subsidiaries to acquire the full service investment advisory business of HSBC Securities (Canada) Inc. and certain assets related to the segregated fund and insurance business of HSBC Insurance Agency (Canada) Inc. The final purchase price will be subject to various adjustments to be determined at closing and post-closing. An additional amount has been set aside to ensure maximum retention of investment advisors. The transaction is expected to close in January 2012, subject to the necessary regulatory approvals.

Commitment - TMX Group Inc.

During fiscal 2011, Maple Group Acquisition Corporation (Maple), a corporation whose investors comprise the Bank and 12 other leading Canadian financial institutions and pension funds, commenced an offer to acquire TMX Group Inc. As part of the proposed transaction, the Bank has made an equity commitment to Maple for a maximum of \$192 million. In addition, the Bank and certain other financial institutions have provided a commitment letter to Maple for \$1.9 billion in credit facilities. The proceeds of both the equity investments in Maple and the credit facilities extended to Maple will be used to fund the acquisition of TMX Group Inc. and the related proposed acquisitions of Alpha Group and The Canadian Depository for Securities Limited. The Maple offer is set to expire on January 31, 2012 and is subject to obtaining the required regulatory approvals, including those from securities regulatory authorities and the Competition Bureau. On October 31, 2011, Maple announced that it had entered into a support agreement with TMX Group Inc. that included, among other things, a clause under which its intention would be to further extend its offer to April 30, 2012, and that also stipulated that Maple would pay a transaction termination fee to TMX Group Inc. in certain circumstances, related to regulatory approvals. If required to be paid, the termination fee could amount to approximately \$39 million.

Subsequent Event

On November 2, 2011, the Bank redeemed for cancellation \$500 million in subordinated debentures maturing on November 2, 2016, at par value plus accrued interest.

Dividends

The Board of Directors declared regular dividends on the various series of first preferred shares and a dividend of 75 cents per common share, payable on February 1, 2012 to shareholders of record on December 29, 2011.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

(unaudited) (millions of dollars)

	As at October 31, 2011	As at July 31, 2011	As at October 31, 2010
ASSETS			
Cash	339	288	261
Deposits with financial institutions	2,519	2,239	2,013
Securities			
Available-for-sale	15,884	14,890	10,997
Held-for-trading	42,295	41,593	43,271
	58,179	56,483	54,268
Securities purchased under reverse repurchase agreements	9,388	10,857	10,878
Loans			
Residential mortgage	17,569	17,207	15,806
Personal and credit card	22,906	22,154	20,549
Business and government	23,896	23,130	21,469
	64,371	62,491	57,824
Allowances for credit losses	(550)	(560)	(636)
	63,821	61,931	57,188
Other assets			
Customers' liability under acceptances	7,394	6,125	5,946
Fair value of derivative financial instruments	8,225	7,900	8,120
Premises and equipment	395	369	381
Goodwill	1,001	999	744
Intangible assets	608	556	480
Due from clients, dealers and brokers	1,780	2,828	2,909
Other	2,648	2,772	2,114
	22,051	21,549	20,694
	156,297	153,347	145,302
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits			
Personal	35,695	35,347	34,112
Business and government	46,589	45,616	41,985
Deposit-taking institutions	4,605	4,428	5,463
Deposit from NBC Capital Trust	225	225	225
	87,114	85,616	81,785
Other liabilities			
Acceptances	7,394	6,125	5,946
Obligations related to securities sold short	18,181	19,423	18,292
Securities sold under repurchase agreements	13,837	13,182	12,513
Fair value of derivative financial instruments	7,984	6,615	6,631
Due to clients, dealers and brokers	1,351	2,362	3,131
Other	10,125	9,795	6,546
	58,872	57,502	53,059
Subordinated debentures	2,000	1,989	2,033
Non-controlling interests	975	949	1,217
Shareholders' equity			
Preferred shares	762	762	1,089
Common shares	2,016	2,036	1,804
Contributed surplus	55	52	66
Retained earnings	4,361	4,304	4,081
Accumulated other comprehensive income	142	137	168
	7,336	7,291	7,208
	156,297	153,347	145,302

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Income

(unaudited) (millions of dollars)

	Quarter ended			Fiscal year ended	
	October 31, 2011	July 31, 2011	October 31, 2010	October 31, 2011	October 31, 2010
Interest income					
Loans	592	580	532	2,301	1,914
Available-for-sale securities	76	78	57	289	232
Held-for-trading securities	183	175	225	770	748
Deposits with financial institutions	4	4	2	15	5
	855	837	816	3,375	2,899
Interest expense					
Deposits	206	205	187	808	599
Subordinated debentures	23	23	24	92	92
Other	137	137	113	524	290
	366	365	324	1,424	981
Net interest income	489	472	492	1,951	1,918
Other income					
Underwriting and advisory fees	71	76	65	308	268
Securities brokerage commissions	89	71	75	327	301
Deposit and payment service charges	58	57	58	228	228
Trading (losses) revenues	5	(15)	(6)	22	(78)
Gains on available-for-sale securities, net	10	26	7	85	112
Card service revenues	12	10	8	40	44
Lending fees	40	48	40	163	168
Insurance revenues	31	31	30	127	121
Revenues from acceptances, letters of credit and guarantee	45	43	38	166	146
Securitization revenues	118	74	86	338	282
Foreign exchange revenues	27	24	33	105	109
Trust services and mutual funds	113	107	100	427	375
Other	82	79	72	305	295
	701	631	606	2,641	2,371
Total revenues	1,190	1,103	1,098	4,592	4,289
Provisions for credit losses	36	11	37	119	144
	1,154	1,092	1,061	4,473	4,145
Operating expenses					
Salaries and staff benefits	461	428	432	1,750	1,628
Occupancy	49	45	44	187	180
Technology	90	87	85	364	365
Communications	19	19	18	74	71
Professional fees	67	55	54	221	205
Other	90	84	86	326	373
	776	718	719	2,922	2,822
Income before income taxes and non-controlling interests	378	374	342	1,551	1,323
Income taxes	74	53	28	284	221
	304	321	314	1,267	1,102
Non-controlling interests	10	9	27	54	68
Net income	294	312	287	1,213	1,034
Dividends on preferred shares	11	10	15	53	63
Premium paid on preferred shares repurchased for cancellation	-	-	-	34	-
Net income available to common shareholders	283	302	272	1,126	971
Number of common shares outstanding (thousands)					
Average - Basic	161,112	162,164	162,372	162,425	162,054
Average - Diluted	162,673	164,242	163,751	164,230	163,337
Earnings per common share (dollars)					
Basic	1.76	1.86	1.67	6.93	5.99
Diluted	1.74	1.84	1.66	6.85	5.94
Dividends per common share (dollars)	0.71	0.71	0.62	2.74	2.48

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Comprehensive Income

(unaudited) (millions of dollars)

	Quarter ended			Fiscal year ended	
	October 31, 2011	July 31, 2011	October 31, 2010	October 31, 2011	October 31, 2010
Net income	294	312	287	1,213	1,034
Other comprehensive income, net of income taxes					
Net unrealized foreign currency gains (losses) on translating financial statements of self-sustaining foreign operations	54	13	1	(34)	(124)
Reclassification to net income of foreign currency (gains) losses on translating financial statements of self-sustaining foreign operations	-	-	-	-	1
Impact of hedging net foreign currency translation gains (losses)	(45)	(12)	(2)	37	92
Reclassification to net income of the impact of hedging foreign currency translation (gains) losses	-	-	-	-	(2)
Net change in unrealized foreign currency translation gains (losses), net of hedging activities	9	1	(1)	3	(33)
Net unrealized gains (losses) on available-for-sale securities	(23)	28	64	97	171
Reclassification to net income of (gains) losses on available-for-sale securities	(17)	(20)	(8)	(104)	(110)
Net change in unrealized gains (losses) on available-for-sale securities, net of fair value hedge transactions	(40)	8	56	(7)	61
Net gains (losses) on derivative financial instruments designated as cash flow hedges	46	53	29	9	50
Reclassification to net income of (gains) losses on derivative financial instruments designated as cash flow hedges	(10)	(6)	(7)	(31)	(6)
Net change in gains (losses) on derivative financial instruments designated as cash flow hedges	36	47	22	(22)	44
Total other comprehensive income, net of income taxes	5	56	77	(26)	72
Total comprehensive income	299	368	364	1,187	1,106

INCOME TAXES — OTHER COMPREHENSIVE INCOME

(unaudited) (millions of dollars)

The income tax charge or recovery for each component of other comprehensive income is presented in the following table:

	Quarter ended			Fiscal year ended	
	October 31, 2011	July 31, 2011	October 31, 2010	October 31, 2011	October 31, 2010
Net unrealized foreign currency gains (losses) on translating financial statements of self-sustaining foreign operations	10	4	(3)	(5)	(7)
Impact of hedging net foreign currency translation gains (losses)	(15)	(4)	3	11	30
Net unrealized gains (losses) on available-for-sale securities	(17)	12	25	31	71
Reclassification to net income of (gains) losses on available-for-sale securities	(1)	(8)	(4)	(35)	(48)
Net gains (losses) on derivative financial instruments designated as cash flow hedges	10	20	14	(5)	22
Reclassification to net income of (gains) losses on derivative financial instruments designated as cash flow hedges	(1)	(3)	(3)	(10)	(2)
Total income taxes (recovery)	(14)	21	32	(13)	66

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Changes in Shareholders' Equity

(unaudited) (millions of dollars)

Fiscal year ended October 31	2011	2010
Preferred shares at beginning	1,089	1,089
Repurchase of Series 21, 24 and 26 preferred shares for cancellation	(327)	-
Preferred shares at end	762	1,089
Common shares at beginning	1,804	1,729
Issuances of common shares		
Dividend Reinvestment and Share Purchase Plan	-	29
Stock Option Plan	117	44
Acquisition of Wellington West Holdings Inc.	171	-
Other	(2)	2
Repurchase of common shares for cancellation	(74)	-
Common shares at end	2,016	1,804
Contributed surplus at beginning	66	48
Stock option expense	16	14
Stock options exercised	(18)	(7)
Other	(9)	11
Contributed surplus at end	55	66
Retained earnings at beginning	4,081	3,515
Net income	1,213	1,034
Dividends		
Preferred shares	(53)	(63)
Common shares	(445)	(402)
Premium paid on common shares repurchased for cancellation	(399)	-
Premium paid on preferred shares repurchased for cancellation	(34)	-
Share issuance and other expenses, net of income taxes	(2)	(3)
Retained earnings at end	4,361	4,081
Accumulated other comprehensive income at beginning, net of income taxes	168	96
Net change in unrealized foreign currency translation gains (losses), net of hedging activities	3	(33)
Net change in unrealized gains (losses) on available-for-sale securities, net of fair value hedge transactions	(7)	61
Net change in gains (losses) on derivative financial instruments designated as cash flow hedges	(22)	44
Accumulated other comprehensive income at end, net of income taxes	142	168
Shareholders' equity	7,336	7,208

RETAINED EARNINGS AND ACCUMULATED OTHER COMPREHENSIVE INCOME, NET OF INCOME TAXES

(unaudited) (millions of dollars)

As at October 31	2011	2010
Retained earnings	4,361	4,081
Accumulated other comprehensive income, net of income taxes		
Unrealized foreign currency translation gains (losses), net of hedging activities	(130)	(133)
Unrealized gains (losses) on available-for-sale securities, net of fair value hedge transactions	86	93
Gains (losses) on derivative financial instruments designated as cash flow hedges	186	208
	142	168
Total	4,503	4,249

Caution Regarding Forward-Looking Statements

From time to time, National Bank of Canada (the Bank) makes written and oral forward-looking statements, such as those contained in the “Major Economic Trends” and “Outlook for National Bank” sections of the 2011 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 2012 and the objectives it has set for itself for that period. These forward-looking statements are made pursuant to the “safe harbour” provisions of Canadian and U.S. securities legislation. 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 terms and expressions of similar import.

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 2012 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. Tax laws in the countries in which the Bank operates, primarily Canada and the United States, are major factors it considers when establishing its effective tax rate. There is a strong possibility that express or implied projections contained in such 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 materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. These factors include the management of credit, market and liquidity risks; general economic conditions of the financial market in Canada, the United States and other countries in which the Bank conducts business, including the impact of the debt crisis affecting certain European countries; the downward adjustment of the long-term sovereign debt rating of the United States attributed by Standard & Poor’s; the impact of the movement of the Canadian dollar relative to other currencies, particularly the U.S. dollar; the effects of changes in monetary policy, including changes in interest rate policies of the Bank of Canada and the U.S. Federal Reserve; the effects of competition in the markets in which the Bank operates; the impact of changes in the laws and regulations regulating financial services (including banking, insurance and securities) and enforcement thereof; judicial proceedings, regulatory proceedings or claims, class actions or other recourses of various nature; the situation with respect to the restructured notes of the master asset vehicles (MAV), in particular the realizable value of the underlying assets; the Bank’s ability to obtain accurate and complete information from or on behalf of its clients or counterparties; the Bank’s ability to successfully realign its organization, resources and processes; its ability to complete strategic acquisitions and integrate them successfully; changes in the accounting policies and methods the Bank uses to report its financial condition, including uncertainties associated with critical accounting assumptions and estimates; the Bank’s ability to recruit and retain key officers; operational risks, including risks related to the Bank’s reliance on third parties to ensure access to the infrastructure essential to the Bank’s business as well as other factors that may affect future results, including changes in trade policies; timely development of new products and services; changes in estimates relating to reserves; changes in tax laws; technological changes; unexpected changes in consumer spending and saving habits; natural disasters; the possible impact on the business from public health emergencies, conflicts, other international events and developments, including those relating to the war on terrorism; and the Bank’s success in anticipating and managing the foregoing risks. A substantial amount of the Bank’s business involves making loans or otherwise committing resources to specific companies, industries or countries. Unforeseen events affecting such borrowers, industries or countries could have a material adverse effect on the Bank’s financial results, businesses, financial condition, or liquidity.

The foregoing list of risk factors is not exhaustive. Additional information about these factors can be found in the “Risk Management” and “Factors That Could Affect Future Results” sections of the 2011 Annual Report. Investors and others who base themselves 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. The Bank also cautions readers not to place undue reliance on these forward-looking statements. Except as required by law, the Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time, by it or on its behalf.

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

Information for Shareholders and Investors

DISCLOSURE OF FOURTH QUARTER 2011 RESULTS

Conference Call

- A conference call for analysts and institutional investors will be held on December 8, 2011 at 1:30 p.m. ET.
- Access by telephone in listen-only mode: 1-866-226-1792 or 416-340-2216.
- A recording of the conference call can be heard until December 17, 2011 by dialing 1-800-408-3053 or 905-694-9451. The access code is 2470616#.

Webcast

- The conference call will be webcast live at www.nbc.ca/investorrelations.
- A recording of the webcast will also be available on the Internet after the call.

Financial Documents

- The quarterly consolidated financial statements are available at all times on National Bank's website at www.nbc.ca/investorrelations.
- Supplementary financial information and a slide presentation will be available on the Investor Relations page of National Bank's website shortly before the start of the conference call.
- The 2011 Annual Report to Shareholders (which includes the annual audited consolidated financial statements and corresponding MD&A) is also available on the National Bank's website.

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