

Federal transfers to the provinces: Boom or bust?

By Warren Lovely

As far as ‘holiday envelops’ go, one hundred billion dollars sounds pretty hefty—even if the funds in question are denominated in undervalued loonies. We’re talking about the total value of major federal transfer cash set to flow to the provinces and territories in fiscal 2024-25, with the precise level of transfer support having been confirmed in the days leading up to the holiday break.

Now, federal transfer commitments might not rank as the highest profile announcement, so some may have missed the finer details. Moreover, we’re talking about money due to arrive in the upcoming fiscal year, which only gets going in April 2024. Nonetheless, federal transfer dollars are material enough—generally representing ~20% of total provincial revenue (on average)—that bondholders may wish to take notice. And if not already understood, major transfer entitlements can and do vary from year-to-year. They also look quite a bit different from one province to another. Some highlights:

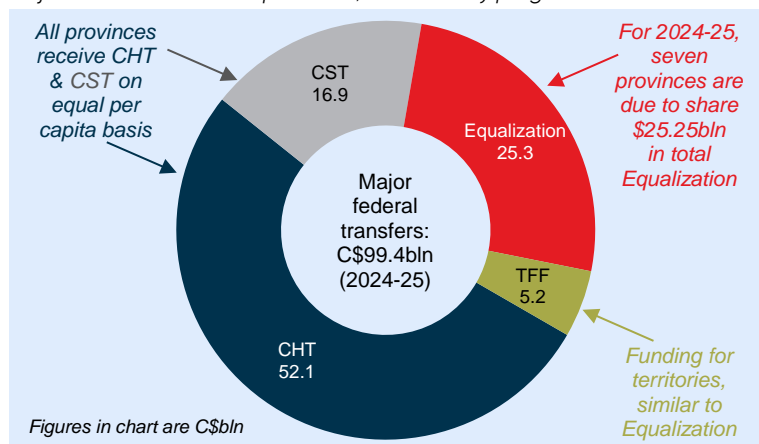
- As per Ottawa’s communiqué, major federal transfers to the provinces and territories will amount to \$99.4 billion in 2024-25. That’s nothing to sneeze at for a revenue stream making an important contribution to provincial fiscal frameworks. The 5% year-over-year growth rate for total transfer cash is a quicker tempo than the prior 5-, 10- or 15-year average (which is generally closer to 4½%/year);
- In certain cases, legislated transfer formulas dictate that Ottawa’s total support grows in line with three-year moving average for Canadian nominal GDP. While nominal growth has obviously cooled more recently, there’s one last year of residual strength (from 2022), which bolsters some key programs in 2024-25;
- Given our relative caution on the outlook for the Canadian economy (nominal GDP edging up just 1.2% this year), it seems likely that federal transfer support will outgrow provincial own-source revenue by a notable margin in 2024-25. In this way, federal transfers—buoyed by that earlier surge in nominal GDP—can help the ‘average’ province contend with cyclical headwinds for key

revenue streams (e.g., income taxes, consumption taxes) and/or a long list of spending pressures;

- While 5% total transfer growth sounds lofty, it’s not nearly as generous on a *per capita* basis. Indeed, at 1.7%, the total per capita allocation is set to grow at its slowest pace in the post-GFC era in 2024-25. As is increasingly clear, surging headcounts create serious pressures on local and regional governments, straining public infrastructure and contributing to affordability pressures. In the same way we’ve adjusted our thinking on GDP to control for outsized population gains, federal transfer commitments might leave something to be desired in per capita terms;
- By design, not all provinces receive equal transfer treatment. As per Ottawa’s fresh commitments, Newfoundland & Labrador and Manitoba, followed by the three Maritime provinces, will see the biggest percentage increases in major federal transfers for 2024-25. At the other end of the spectrum, Quebec is the sole province where major federal transfer cash is due to fall. That reflects a lower Equalization entitlement for Quebec. On the always controversial subject of Equalization, seven of the ten provinces will share more than \$25 billion in 2024-25. Like the total Canada Health Transfer (CHT) envelop, total Equalization cash grows in line with three-year moving average of Canadian nominal GDP and thus benefits from the heady advance notched back in 2022;
- The same funding formula(s) that keep CHT and Equalization cash advancing nicely in 2024-25, likely won’t be nearly as favourable by the time 2025-26 rolls around. Consider: Slow(er) advances in nominal GDP from 2023 through 2025 would mean less forceful growth in key transfers, all else being equal. Here’s hoping inflation relief is fully secured, enabling the BoC to pivot to less restrictive policy in a timely enough fashion to resuscitate own-source revenue growth for 2025-26; because as it stands federal transfers can’t be counted on to save the day fiscally speaking. There’s additional nuance when it comes to transfers, so please read on...

Chart 1: Nearly \$100bn in major federal transfers next FY

Major federal transfers to provinces/territories by program: 2024-25

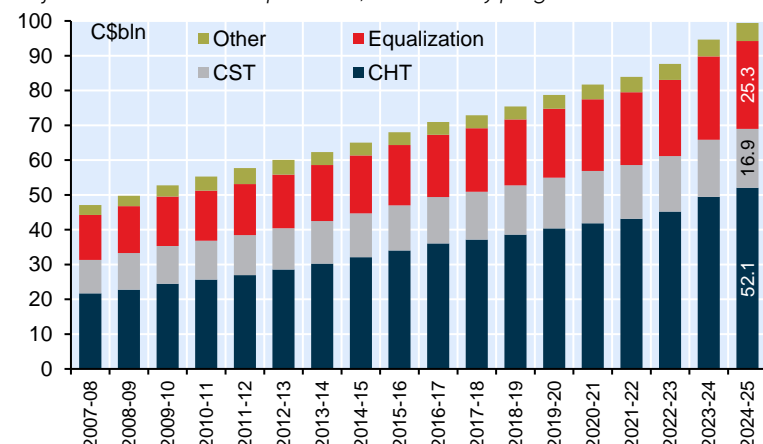


Source: NBF, GoC | Note: Preliminary estimates

Roughly \$100bn in major federal transfer dollars will flow in 2024-25. Health & social transfers go to all provinces on equal per capita basis, while seven provinces qualified for Equalization.

Chart 2: Dollar value of major federal transfers expanding

Major federal transfers to provinces/territories by program

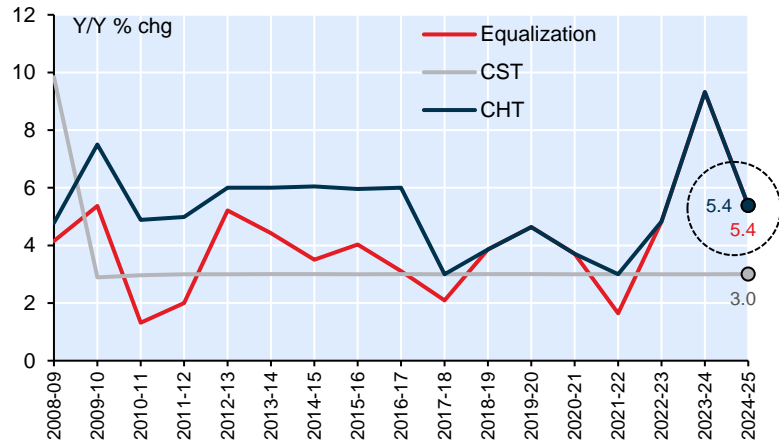


Source: NBF, GoC | Note: 2023-24 & 2024-25 preliminary; excl. CHT top-ups & FSP

The value of major transfers has doubled in the past decade and a half. The Canada Health Transfer should once again account for just over half of major transfer dollars in 2024-25.

Chart 3: CHT & Equalization linked to nominal GDP growth...

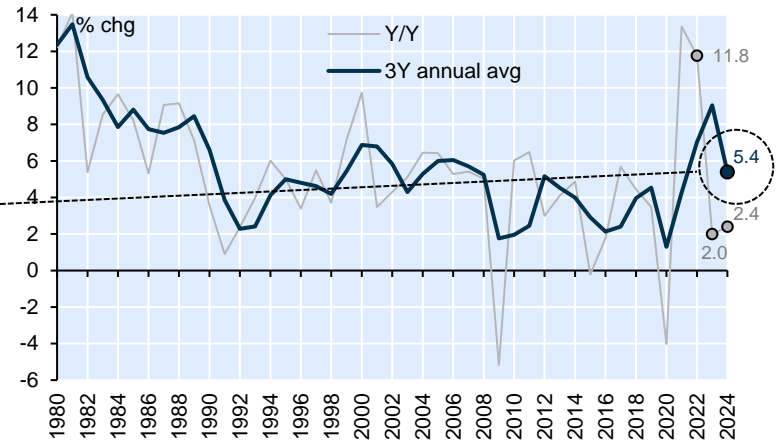
Growth in major federal transfers to provinces/territories by key program



Source: NBF, GoC | Note: 2023-24 & 2024-25 preliminary; excl. CHT top-ups & FSP

Chart 4: ... where moving average captures residual strength

Canada nominal GDP growth: Annual & 3Y moving average

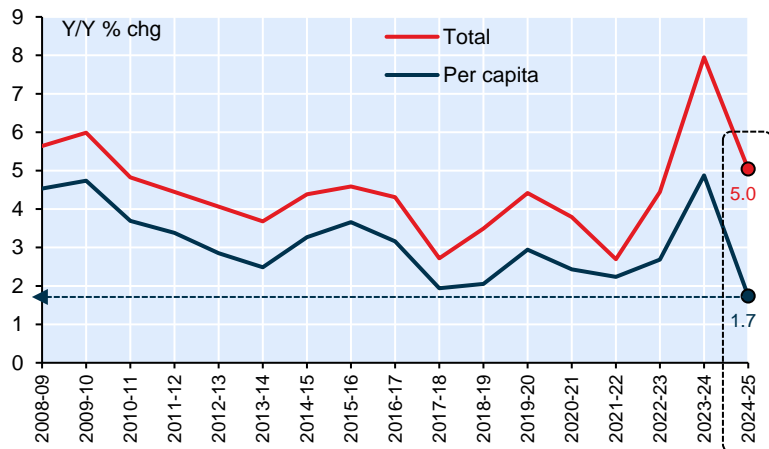


Source: NBF, StatCan, GoC | Note: Actuals to 2022; 2023-24 based on FES (Nov-23)

Total funding available via the CHT and Equalization grows in line with the three-year moving average of nominal GDP, with CHT growth subject to a 3% floor. For 2024-25, the corresponding growth rate for CHT and Equalization is 5.4%, which captures the residual benefit of a sizzling 2022 gain (11.8%) alongside two years of tepid gains in 2023 & 2024. Total CST funding grows by 3%/year.

Chart 5: Not much growth in per capita terms (on average)

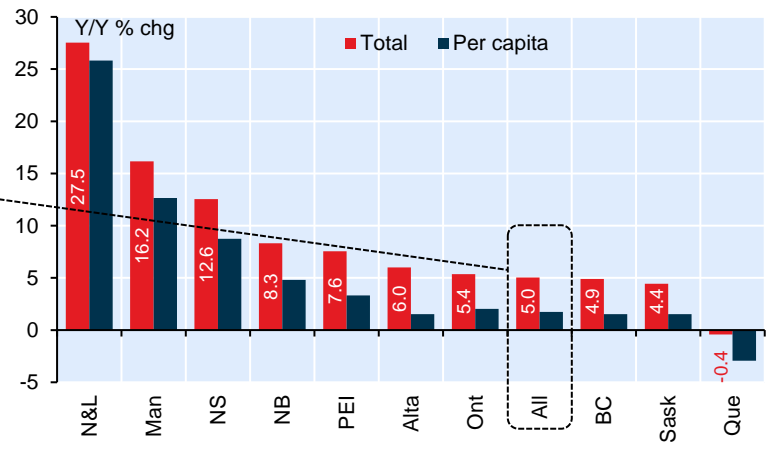
Growth in major federal transfers to provinces/territories: Total & per capita



Source: NBF, GoC | Note: 2023-24 & 2024-25 preliminary; excl. CHT top-ups & FSP

Chart 6: Some provinces will see big gains (others not so much)

Growth in major federal transfers by province (total & per capita): 2024-25

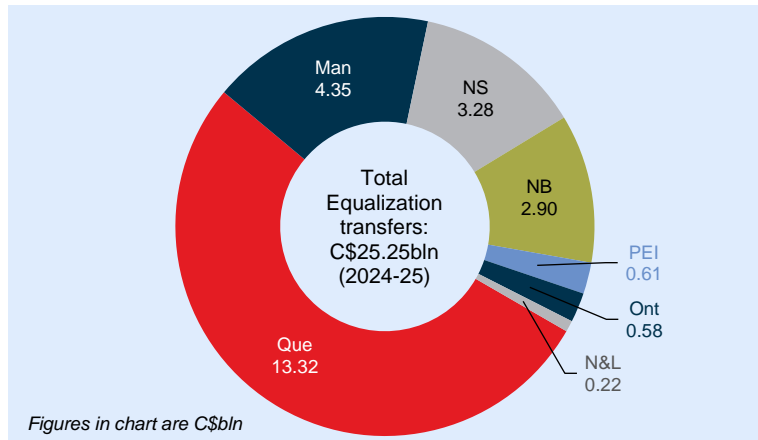


Source: NBF, GoC | Note: Preliminary estimates; ranked by growth in total transfers

On a blended basis, the 'average' province will see 5.0% growth in major transfers in 2024-25. That sounds respectable but considering a surging population (which places strains on local/regional governments) the average per capita allocation will edge up just 1.7% – the smallest advance in the post-GFC era. Transfers will expand briskly in some corners, contracting in one province: Quebec.

Chart 7: Carving up a \$25bn Equalization pie

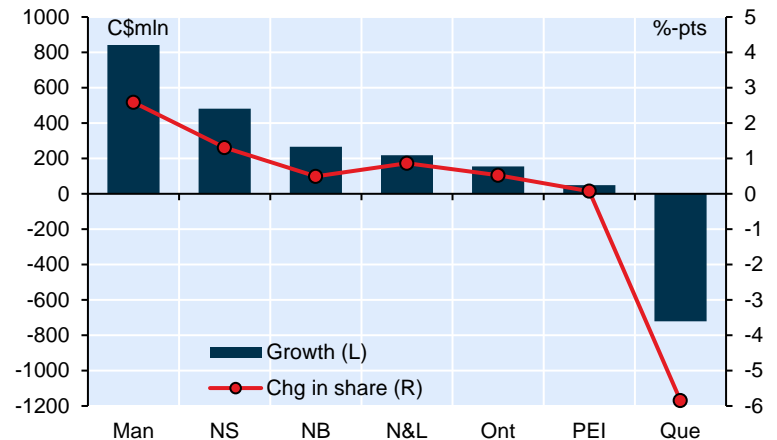
Share of total Equalization entitlement: 2024-25



Source: NBF, GoC

Chart 8: Quebec's share of Equalization down (N&L back in)

Growth in Equalization entitlement & change in share of total dollars: 2024-25

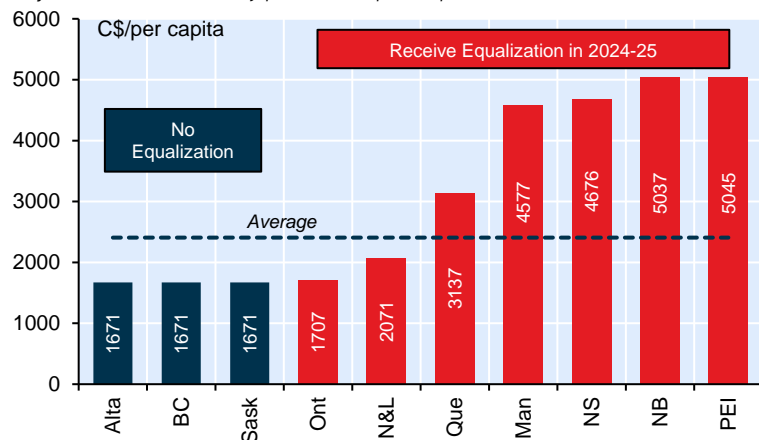


Source: NBF, GoC | Note: Growth refers to Y/Y change in total Equalization dollars

A province's relative population impulse can influence transfers, but the real driver of the wide dispersion in growth from province-to-province is undeniably Equalization. For 2024-25, seven provinces will share over \$25bn in Equalization. N&L qualifies for the first time since 2007-08. Quebec's entitlement is falling \$721 million, this province's share of total Equalization down for a fifth straight year.

Chart 9: Seven provinces to receive Equalization in 2024-25

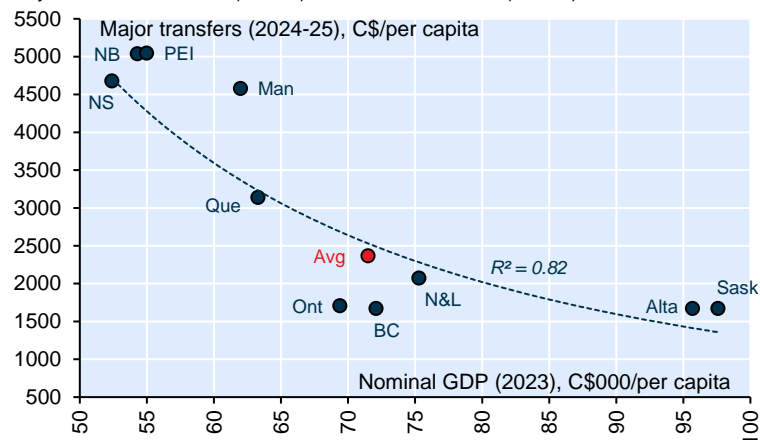
Major federal transfers by province in per capita terms: 2024-25



Source: NBF, GoC | Note: Preliminary estimates

Chart 10: 'Richer' provinces get less support (& vice versa)

Major federal transfers per capita vs. nominal GDP per capita



Source: NBF, StatCan, GoC | Note: Transfers preliminary; GDP reflects NBF estimates

Notwithstanding Quebec's Equalization-led decline in total transfer dollars, this province will still receive an above-average amount of federal transfer support in 2024-25. That is generally consistent with Quebec's below-average 'fiscal capacity', which can be loosely proxied by nominal GDP per capita. In Manitoba and the three Maritime provinces, a growing Equalization entitlement means an even higher level of per capita transfers, compensating (to a degree) for disparities in tax-raising ability. Note that Newfoundland & Labrador is due to receive \$218mln in Equalization in 2024-25, accounting for this province's outsized transfer growth. Elsewhere, Ontario will receive a modest Equalization entitlement, equivalent to ~2% of the province's total transfers in 2024-25. As officially calculated, 'fiscal capacity' far exceeds the national average in Alberta & Saskatchewan (meaning no Equalization). Adding in British Columbia, that makes three of the ten provinces that do not qualify for Equalization in 2024-25, the total transfer entitlement for each of the three set at \$1,671/per capita, which is 30% less than the weighted provincial average (\$2,407/per capita).

Table 1: Major federal transfer cash estimated at a record \$99.4 billion in 2024-25, up \$4.8 billion or 5.0% vs. prior fiscal year

Major federal transfers to provinces/territories by fiscal year & program

	Total	Y/Y: \$mln	Y/Y: %	Canada Health Transfer	Canada Social Transfer	Equalization	Offshore Offset Payments	Territorial Formula Financing	Total Transfer Protection	Additional Payment	Per Capita Allocation
Federal support to provinces & territories via Major Transfers (C\$millions)											
2007-08	47,102			21,729	9,607	12,925	563	2,279	-	-	1,434
2008-09	49,758	2,656	5.6	22,768	10,552	13,462	663	2,313	-	-	1,499
2009-10	52,736	2,978	6.0	24,476	10,857	14,185	645	2,498	-	74	1,570
2010-11	55,281	2,545	4.8	25,672	11,179	14,372	869	2,664	525	-	1,628
2011-12	57,739	2,458	4.4	26,952	11,514	14,659	787	2,876	952	-	1,683
2012-13	60,085	2,346	4.1	28,569	11,859	15,423	443	3,111	680	-	1,731
2013-14	62,297	2,212	3.7	30,283	12,215	16,105	350	3,288	56	-	1,774
2014-15	65,029	2,732	4.4	32,113	12,582	16,669	196	3,469	-	-	1,832
2015-16	68,013	2,984	4.6	34,026	12,959	17,341	125	3,561	-	-	1,899
2016-17	70,943	2,930	4.3	36,068	13,348	17,880	44	3,603	-	-	1,959
2017-18	72,870	1,927	2.7	37,150	13,748	18,254	36	3,682	-	-	1,997
2018-19	75,416	2,546	3.5	38,584	14,161	18,958	-72	3,785	-	-	2,038
2019-20	78,746	3,330	4.4	40,373	14,586	19,837	2	3,948	-	-	2,098
2020-21	81,732	2,986	3.8	41,870	15,023	20,573	86	4,180	-	-	2,149
2021-22	83,935	2,203	2.7	43,126	15,474	20,911	44	4,380	-	-	2,197
2022-23	87,667	3,732	4.4	45,208	15,938	21,920	48	4,553	-	-	2,256
2023-24	94,634	6,967	7.9	49,421	16,416	23,963	-	4,834	-	-	2,366
2024-25	99,401	4,767	5.0	52,081	16,909	25,253	-	5,159	-	-	2,407
1Y %	5.0			5.4	3.0	5.4	NA	6.7	NA	NA	1.7
3Y % (CAGR)	5.8			6.5	3.0	6.5	NA	5.6	NA	NA	3.1
5Y % (CAGR)	4.8			5.2	3.0	4.9	NA	5.5	NA	NA	2.8
10Y % (CAGR)	4.3			5.0	3.0	4.2	NA	4.0	NA	NA	2.8

Source: NBF, GoC

Notes: Table prepared by NBF based on Department of Finance Canada information on federal support to provinces and territories; 1Y/3Y/5Y/10Y growth rates relative to 2024-25 allocation announced in Dec-23; 3Y/5Y/10Y figures represent compound annual growth rates; CHT & CST figures for 2023-24 & 2024-25 are preliminary; refer to Government of Canada for complete details and additional notes: <https://www.canada.ca/en/department-finance/programs/federal-transfers.html>



Tables 2-4: Divvying up the transfers... all provinces get CHT & CST but not everyone qualifies for Equalization

Major federal transfers to provinces/territories by fiscal year & jurisdiction, including detailed composition/distribution of 2024-25 major federal transfers

	Total	Y/Y: \$mln	Y/Y: %	BC	Alta	Sask	Man	Ont	Que	NB	NS	PEI	N&L	Territories
Federal support to provinces & territories via Major Transfers (C\$millions)														
2007-08	47,102			4,376	2,795	1,317	2,982	12,087	14,622	2,204	2,442	429	1,465	2,384
2008-09	49,758	2,656	5.6	4,547	2,920	1,090	3,295	13,071	15,952	2,348	2,529	464	1,120	2,419
2009-10	52,736	2,978	6.0	4,789	3,143	1,178	3,359	14,274	16,673	2,488	2,648	490	1,079	2,614
2010-11	55,281	2,545	4.8	5,034	3,374	1,174	3,348	15,446	17,267	2,491	2,626	490	1,253	2,779
2011-12	57,739	2,458	4.4	5,269	3,495	1,204	3,352	17,335	17,292	2,493	2,652	493	1,157	2,997
2012-13	60,085	2,346	4.1	5,523	3,661	1,277	3,355	19,177	17,349	2,497	2,848	509	648	3,241
2013-14	62,297	2,212	3.7	5,790	3,878	1,354	3,363	19,915	17,911	2,497	2,975	519	670	3,426
2014-15	65,029	2,732	4.4	5,832	5,175	1,411	3,359	19,184	19,614	2,616	3,001	544	677	3,618
2015-16	68,013	2,984	4.6	6,152	5,475	1,484	3,436	20,445	20,348	2,658	3,052	553	694	3,716
2016-17	70,943	2,930	4.3	6,482	5,772	1,565	3,531	21,347	21,372	2,741	3,060	584	724	3,766
2017-18	72,870	1,927	2.7	6,857	5,912	1,602	3,680	21,022	22,640	2,829	3,140	600	737	3,852
2018-19	75,416	2,546	3.5	7,114	6,122	1,657	3,964	21,337	23,674	2,972	3,227	637	750	3,962
2019-20	78,746	3,330	4.4	7,442	6,377	1,714	4,257	21,260	25,554	3,160	3,435	649	767	4,131
2020-21	81,732	2,986	3.8	7,715	6,611	1,764	4,576	22,056	26,083	3,381	3,699	695	781	4,370
2021-22	83,935	2,203	2.7	7,970	6,812	1,813	4,853	22,706	26,309	3,485	3,877	736	798	4,577
2022-23	87,667	3,732	4.4	8,408	7,078	1,851	5,153	23,786	27,289	3,630	4,114	765	836	4,756
2023-24	94,634	6,967	7.9	9,058	7,703	1,985	5,900	26,054	28,610	4,002	4,541	847	886	5,049
2024-25	99,401	4,767	5.0	9,501	8,165	2,073	6,854	27,451	28,490	4,335	5,111	911	1,130	5,380
1Y %	5.0			4.9	6.0	4.4	16.2	5.4	(0.4)	8.3	12.6	7.6	27.5	6.6
3Y % (CAGR)	5.8			6.0	6.2	4.6	12.2	6.5	2.7	7.5	9.6	7.4	12.3	5.5
5Y % (CAGR)	4.8			5.0	5.1	3.9	10.0	5.2	2.2	6.5	8.3	7.0	8.1	5.4
10Y % (CAGR)	4.3			5.0	4.7	3.9	7.4	3.6	3.8	5.2	5.5	5.3	5.3	4.0
	Total	Y/Y: \$mln	Y/Y: %	BC	Alta	Sask	Man	Ont	Que	NB	NS	PEI	N&L	Territories
Per capita allocation (C\$)														
2007-08	1,434			1,021	797	1,316	2,510	948	1,902	2,958	2,611	3,110	2,882	22,270
2008-09	1,499	65	4.5	1,047	814	1,073	2,754	1,016	2,057	3,144	2,703	3,349	2,191	22,344
2009-10	1,570	71	4.7	1,087	856	1,141	2,783	1,100	2,128	3,319	2,824	3,504	2,093	23,888
2010-11	1,628	58	3.7	1,128	905	1,118	2,746	1,178	2,180	3,308	2,788	3,459	2,404	25,056
2011-12	1,683	55	3.4	1,172	924	1,130	2,721	1,309	2,162	3,301	2,810	3,430	2,204	26,548
2012-13	1,731	48	2.9	1,216	946	1,178	2,688	1,431	2,148	3,301	3,014	3,514	1,233	28,379
2013-14	1,774	43	2.5	1,263	973	1,227	2,660	1,471	2,199	3,304	3,154	3,578	1,270	29,752
2014-15	1,832	58	3.3	1,259	1,259	1,259	2,627	1,404	2,390	3,466	3,185	3,722	1,281	30,969
2015-16	1,899	67	3.7	1,312	1,312	1,312	2,655	1,483	2,466	3,525	3,236	3,776	1,312	31,502
2016-17	1,959	60	3.2	1,364	1,364	1,364	2,684	1,530	2,571	3,621	3,228	3,912	1,364	31,448
2017-18	1,997	38	1.9	1,395	1,395	1,395	2,760	1,496	2,732	3,692	3,306	3,991	1,395	31,586
2018-19	2,038	41	2.1	1,425	1,425	1,425	2,932	1,493	2,826	3,858	3,370	4,163	1,425	32,036
2019-20	2,098	60	2.9	1,464	1,464	1,464	3,114	1,464	3,010	4,071	3,547	4,131	1,464	33,052
2020-21	2,149	51	2.4	1,496	1,496	1,496	3,314	1,496	3,041	4,321	3,770	4,316	1,496	34,520
2021-22	2,197	48	2.2	1,534	1,534	1,534	3,488	1,534	3,060	4,416	3,920	4,480	1,534	35,646
2022-23	2,256	59	2.7	1,574	1,574	1,574	3,653	1,574	3,152	4,498	4,046	4,587	1,574	36,875
2023-24	2,366	110	4.9	1,646	1,646	1,646	4,063	1,673	3,232	4,806	4,300	4,883	1,646	38,721
2024-25	2,407	41	1.7	1,671	1,671	1,671	4,577	1,707	3,137	5,037	4,676	5,045	2,071	40,697
1Y %	1.7			1.5	1.5	1.5	12.7	2.0	(2.9)	4.8	8.7	3.3	25.8	5.1
3Y % (CAGR)	3.1			2.9	2.9	2.9	9.5	3.6	0.8	4.5	6.1	4.0	10.5	4.5
5Y % (CAGR)	2.8			2.7	2.7	2.7	8.0	3.1	0.8	4.4	5.7	4.1	7.2	4.2
10Y % (CAGR)	2.8			2.9	2.9	2.9	5.7	2.0	2.8	3.8	3.9	3.1	4.9	2.8
	Total	Y/Y: \$mln	Y/Y: %	BC	Alta	Sask	Man	Ont	Que	NB	NS	PEI	N&L	Territories
Distribution of 2024-25 Major Transfers by type (C\$millions)														
CHT	52,081	2,660	5.4	7,172	6,164	1,565	1,889	20,289	11,455	1,085	1,379	228	688	167
CST	16,909	493	3.0	2,329	2,001	508	613	6,587	3,719	352	448	74	223	55
Equalization	25,253	1,290	5.4	-	-	-	4,352	576	13,316	2,897	3,284	610	218	-
TFF	5,159	325	6.7	-	-	-	-	-	-	-	-	-	-	5,159
Total	99,401	4,767	5.0	9,501	8,165	2,073	6,854	27,451	28,490	4,335	5,111	911	1,130	5,380

Source: NBF, GoC

Notes: Tables prepared by NBF based on Department of Finance Canada information on federal support to provinces and territories; 'Major Transfers' include Canada Health Transfer, Canada Social Transfer, Equalization, Offshore Offset Payments, Territorial Formula Financing, Total Transfer Protection & Additional Payments; shading denotes receipt of Equalization in a given fiscal year; 1Y/3Y/5Y/10Y growth rates relative to 2024-25 allocation announced in Dec-23; 3Y/5Y/10Y figures represent compound annual growth rates; CHT & CST figures for 2023-24 & 2024-25 are preliminary; refer to Government of Canada for complete details and additional notes: <https://www.canada.ca/en/department-finance/programs/federal-transfers.html>



Economics and Strategy

Montreal Office

514-879-2529

Stéfane Marion

Chief Economist and Strategist
stefane.marion@nbc.ca

Kyle Dahms

Economist
kyle.dahms@nbc.ca

Alexandra Ducharme

Economist
alexandra.ducharme@nbc.ca

Matthieu Arseneau

Deputy Chief Economist
matthieu.arseneau@nbc.ca

Daren King, CFA

Economist
daren.king@nbc.ca

Angelo Katsoras

Geopolitical Analyst
angelo.katsoras@nbc.ca

Jocelyn Paquet

Economist
jocelyn.paquet@nbc.ca

Toronto Office

416-869-8598

Warren Lovely

Chief Rates and Public Sector Strategist
warren.lovely@nbc.ca

Taylor Schleich

Rates Strategist
taylor.schleich@nbc.ca

General

This Report was prepared by National Bank Financial, Inc. (NBF), (a Canadian investment dealer, member of IIROC), an indirect wholly owned subsidiary of National Bank of Canada. National Bank of Canada is a public company listed on the Toronto Stock Exchange.

The particulars contained herein were obtained from sources which we believe to be reliable but are not guaranteed by us and may be incomplete and may be subject to change without notice. The information is current as of the date of this document. Neither the author nor NBF assumes any obligation to update the information or advise on further developments relating to the topics or securities discussed. The opinions expressed are based upon the author(s) analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein, and nothing in this Report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances. In all cases, investors should conduct their own investigation and analysis of such information before taking or omitting to take any action in relation to securities or markets that are analyzed in this Report. The Report alone is not intended to form the basis for an investment decision, or to replace any due diligence or analytical work required by you in making an investment decision.

This Report is for distribution only under such circumstances as may be permitted by applicable law. This Report is not directed at you if NBF or any affiliate distributing this Report is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that NBF is permitted to provide this Report to you under relevant legislation and regulations.

National Bank of Canada Financial Markets is a trade name used by National Bank Financial and National Bank of Canada Financial Inc.

Canadian Residents

NBF or its affiliates may engage in any trading strategies described herein for their own account or on a discretionary basis on behalf of certain clients and as market conditions change, may amend or change investment strategy including full and complete divestment. The trading interests of NBF and its affiliates may also be contrary to any opinions expressed in this Report.

NBF or its affiliates often act as financial advisor, agent or underwriter for certain issuers mentioned herein and may receive remuneration for its services. As well NBF and its affiliates and/or their officers, directors, representatives, associates, may have a position in the securities mentioned herein and may make purchases and/or sales of these securities from time to time in the open market or otherwise. NBF and its affiliates may make a market in securities mentioned in this Report. This Report may not be independent of the proprietary interests of NBF and its affiliates.

This Report is not considered a research product under Canadian law and regulation, and consequently is not governed by Canadian rules applicable to the publication and distribution of research Reports, including relevant restrictions or disclosures required to be included in research Reports.



UK Residents

This Report is a marketing document. This Report has not been prepared in accordance with EU legal requirements designed to promote the independence of investment research and it is not subject to any prohibition on dealing ahead of the dissemination of investment research. In respect of the distribution of this Report to UK residents, NBF has approved the contents (including, where necessary, for the purposes of Section 21(1) of the Financial Services and Markets Act 2000). This Report is for information purposes only and does not constitute a personal recommendation, or investment, legal or tax advice. NBF and/or its parent and/or any companies within or affiliates of the National Bank of Canada group and/or any of their directors, officers and employees may have or may have had interests or long or short positions in, and may at any time make purchases and/or sales as principal or agent, or may act or may have acted as market maker in the relevant investments or related investments discussed in this Report, or may act or have acted as investment and/or commercial banker with respect hereto. The value of investments, and the income derived from them, can go down as well as up and you may not get back the amount invested. Past performance is not a guide to future performance. If an investment is denominated in a foreign currency, rates of exchange may have an adverse effect on the value of the investment. Investments which are illiquid may be difficult to sell or realise; it may also be difficult to obtain reliable information about their value or the extent of the risks to which they are exposed. Certain transactions, including those involving futures, swaps, and other derivatives, give rise to substantial risk and are not suitable for all investors. The investments contained in this Report are not available to retail customers and this Report is not for distribution to retail clients (within the meaning of the rules of the Financial Conduct Authority). Persons who are retail clients should not act or rely upon the information in this Report. This Report does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for the securities described herein nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever.

This information is only for distribution to Eligible Counterparties and Professional Clients in the United Kingdom within the meaning of the rules of the Financial Conduct Authority. NBF is authorised and regulated by the Financial Conduct Authority and has its registered office at 70 St. Mary Axe, London, EC3A 8BE.

NBF is not authorised by the Prudential Regulation Authority and the Financial Conduct Authority to accept deposits in the United Kingdom.

US Residents

With respect to the distribution of this report in the United States of America, National Bank of Canada Financial Inc. ("NBCFI") which is regulated by the Financial Industry Regulatory Authority (FINRA) and a member of the Securities Investor Protection Corporation (SIPC), an affiliate of NBF, accepts responsibility for its contents, subject to any terms set out above. To make further inquiry related to this report, or to effect any transaction, United States residents should contact their NBCFI registered representative.

This report is not a research report and is intended for Major US Institutional Investors only.

This report is not subject to US independence and disclosure standards applicable to research reports.

HK Residents

With respect to the distribution of this report in Hong Kong by NBC Financial Markets Asia Limited ("NBCFMA") which is licensed by the Securities and Futures Commission ("SFC") to conduct Type 1 (dealing in securities) and Type 3 (leveraged foreign exchange trading) regulated activities, the contents of this report are solely for informational purposes. It has not been approved by, reviewed by, verified by or filed with any regulator in Hong Kong. Nothing herein is a recommendation, advice, offer or solicitation to buy or sell a product or service, nor an official confirmation of any transaction. None of the products issuers, NBCFMA or its affiliates or other persons or entities named herein are obliged to notify you of changes to any information and none of the foregoing assume any loss suffered by you in reliance of such information.

The content of this report may contain information about investment products which are not authorized by SFC for offering to the public in Hong Kong and such information will only be available to, those persons who are Professional Investors (as defined in the Securities and Futures Ordinance of Hong Kong ("SFO")). If you are in any doubt as to your status you should consult a financial adviser or contact us. This material is not meant to be marketing materials and is not intended for public distribution. Please note that neither this material nor the product referred to is authorized for sale by SFC. Please refer to product prospectus for full details.

There may be conflicts of interest relating to NBCFMA or its affiliates' businesses. These activities and interests include potential multiple advisory, transactional and financial and other interests in securities and instruments that may be purchased or sold by NBCFMA or its affiliates, or in other investment vehicles which are managed by NBCFMA or its affiliates that may purchase or sell such securities and instruments.

No other entity within the National Bank of Canada group, including National Bank of Canada and National Bank Financial Inc, is licensed or registered with the SFC. Accordingly, such entities and their employees are not permitted and do not intend to: (i) carry on a business in any regulated activity in Hong Kong; (ii) hold themselves out as carrying on a business in any regulated activity in Hong Kong; or (iii) actively market their services to the Hong Kong public.

Copyright

This Report may not be reproduced in whole or in part, or further distributed or published or referred to in any manner whatsoever, nor may the information, opinions or conclusions contained in it be referred to without in each case the prior express written consent of NBF.