

# ANALYST AND INVESTOR PRESENTATION Q1-2014 CONFERENCE CALL

Tuesday, February 25, 2014 - 11:00 am



## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, the Bank makes written and oral forward-looking statements, such as those contained in the "Major Economic Trends" and the "Outlook for National Bank" sections of the 2013 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 2014 and the objectives it has set for itself for that period. These forward-looking statements are made in accordance with current 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 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 2014 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 to 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 strategic risk, credit risk, market risk, liquidity risk, operational risk, regulatory risk, reputation risk, and environmental risk, which are described in more detail in the "Risk Management" section beginning on page 60 of the 2013 Annual Report, and in particular the general economic environment and financial market conditions in Canada, the United States and certain other countries in which the Bank conducts business, including the regulatory changes affecting the Bank's business, capital and liquidity; the situation with respect to the restructured notes of the master asset vehicle (MAV) conduits, in particular the realizable value of underlying assets; 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 new reporting regime set out for in sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986 (FATCA)); and changes to capital adequacy and liquidity guidelines and to the manner in which they are to be presented and interpreted.

The foregoing list of risk factors is not exhaustive. Additional information about these factors can be found in the "Risk Management" and "Other Risk Factors" sections of the 2013 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. The Bank also cautions readers not to place undue reliance on these forward-looking statements.

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.



## HIGHLIGHTS

<b>ADJUSTED RESULTS <sup>(1)</sup></b>	<b>Q1 14</b>	<b>Q4 13</b>	<b>Q1 13</b>	<b>QoQ</b>	<b>YoY</b>
Net Income <sup>(2)</sup>	384	353	344	9%	12%
Diluted EPS	\$1.09	\$1.00	\$0.97	9%	12%
Provision for Credit Losses	51	48	32	6%	59%
Return on Equity	18.8%	17.6%	19.0%		
Common Equity Tier 1 Ratio Under Basel III	8.3%	8.7%	7.9%		
Dividend Payout <sup>(3)</sup>	41.8%	41.8%	40.7%		

☐ Record adjusted earnings in Q1 2014

(1) Excluding specified items (see Appendix 1, page 19)

(2) Net income before non-controlling interests

(3) Trailing 4 quarters

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# FINANCIAL REVIEW

Ghislain Parent  
Chief Financial Officer and  
Executive Vice-President, Finance and Treasury



## PERFORMANCE SNAPSHOT – Q1 2014

(millions of dollars)

<b>ADJUSTED <sup>(1)</sup></b>	<b>Q1 14</b>	<b>Q4 13</b>	<b>Q1 13</b>	<b>QoQ</b>	<b>YoY</b>
Revenues	1,326	1,260	1,222	5%	9%
Expenses	807	791	766	2%	5%
Net Income	384	353	344	9%	12%
Diluted EPS	\$1.09	\$1.00	\$0.97	9%	12%
ROE	18.8%	17.6%	19.0%		

<b>REPORTED</b>	<b>Q1 14</b>	<b>Q4 13</b>	<b>Q1 13</b>	<b>QoQ</b>	<b>YoY</b>
Specified Items	21	(33)	29		
Net Income	405	320	373	27%	9%
Diluted EPS	\$1.15	\$0.90	\$1.05	28%	10%
ROE	19.8%	15.8%	20.7%		

(1) Excluding specified items (see Appendix 1, page 19)

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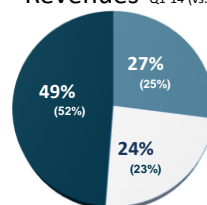
## INCOME STATEMENT OVERVIEW (Excluding specified items)

(millions of dollars)

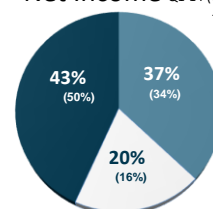
	<b>Q1 14</b>	<b>Q4 13</b>	<b>Q1 13</b>	<b>QoQ</b>	<b>YoY</b>
<b>Revenues</b>	<b>1,326</b>	<b>1,260</b>	<b>1,222</b>	<b>5%</b>	<b>9%</b>
P&C Banking	658	658	639	-%	3%
Wealth Management	325	291	278	12%	17%
Financial Markets	365	331	303	10%	20%
Other Segment	(22)	(20)	2		

<b>Net Income</b>	<b>384</b>	<b>353</b>	<b>344</b>	<b>9%</b>	<b>12%</b>
P&C Banking	168	167	163	1%	3%
Wealth Management	76	62	53	23%	43%
Financial Markets	144	124	113	16%	27%
Other Segment	(4)	-	15		

Revenues Q1-14 (vs. Q1-13)  
T.E.B.



Net Income Q1-14 (vs. Q1-13)  
T.E.B.



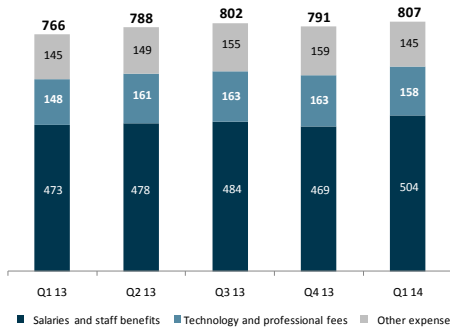
■ Personal and Commercial Banking  
■ Financial Markets  
■ Wealth Management

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## NON INTEREST EXPENSES (Excluding specified items)

<small>(millions of dollars)</small>	Q1 14	Q4 13	Q1 13	QoQ	YoY
Salaries and Staff Benefits	504	469	473	7%	7%
Technology and Professional Fees	158	163	148	(4%)	7%
Other Expenses	145	159	145	(8%)	-%
<b>Non Interest Expense</b>	<b>807</b>	<b>791</b>	<b>766</b>	<b>2%</b>	<b>5%</b>



- Expense increased mainly due to variable compensation, technology, business development and TDWIS acquisition
- 4% operating leverage for Q1-14 (YoY)

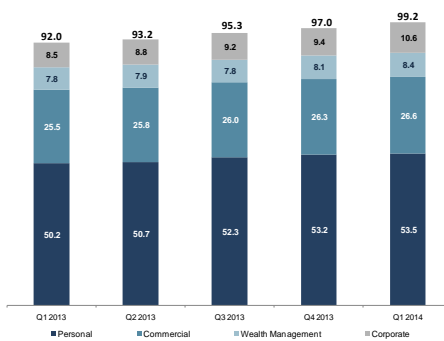
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## BALANCE SHEET OVERVIEW (Banking book)

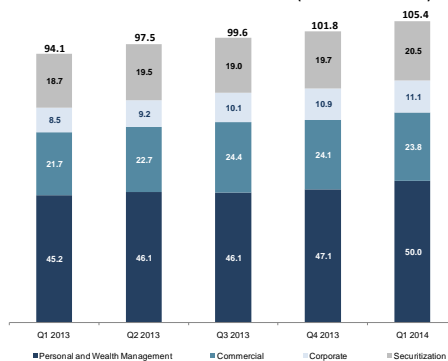
(billions of dollars)

### LENDING – LOANS AND BAS (MONTH END BALANCE)



- YoY growth:**
  - Personal and Wealth Management +7%
  - Commercial and Corporate +9%
  - Total +8%

### FUNDING – DEPOSITS AND BAS (MONTH END BALANCE)



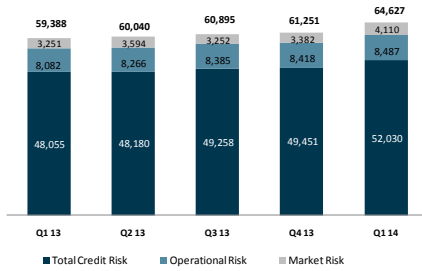
- YoY growth:**
  - Personal and Wealth Management +11%
  - Commercial and Corporate +16%
  - Securitization +10%
  - Total +12%

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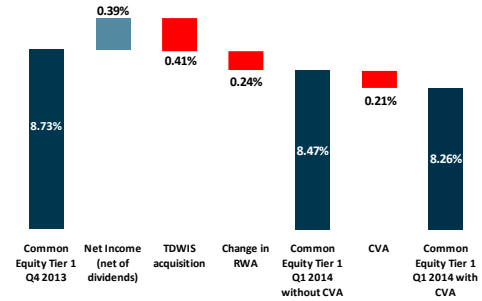


## STRONG CAPITAL POSITION

TOTAL RISK-WEIGHTED ASSETS  
UNDER BASEL III



COMMON EQUITY TIER 1 UNDER BASEL III  
EVOLUTION (QoQ)



- Common Equity Tier 1 ratio is 8.26% in Q1 14
- Risk-weighted assets at \$64.6B

## RISK MANAGEMENT

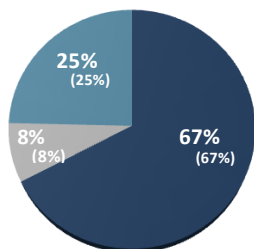
William Bonnell

Executive Vice-President, Risk Management

## GLOBAL CREDIT PORTFOLIO

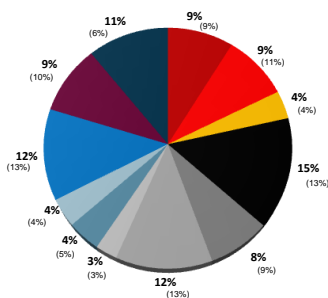
As at January 31, 2014 vs. (January 31, 2013)

### PER BUSINESS SEGMENT



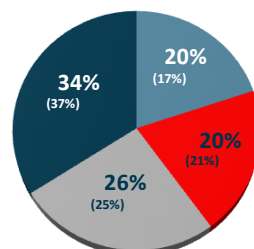
- Personal Banking and Wealth Management
- Corporate Banking
- Commercial Banking

### PER INDUSTRY



- Agriculture and Forestry
- Construction
- Manufacturing
- Transportation
- Communications
- Government and Public Services
- Mining, Oil and Gas
- Real Estate
- Wholesale and Retail
- Finance and Insurance
- Other Services
- Other

### RETAIL PORTFOLIO COMPOSITION



- Uninsured Mortgages
- Other (secured & unsecured)
- HELOC
- Insured Mortgages

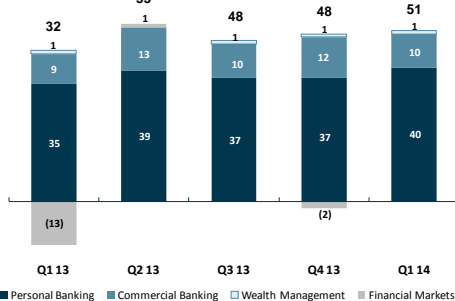
- Global Credit Portfolio mix remained stable
- Well-diversified across industrial sectors

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## SPECIFIC PROVISION FOR CREDIT LOSSES

(millions of dollars)



### RISK PROVISIONING

- Q1 2014: \$51M or 21 bps
- Next 2 quarters target: 20-30 bps

PCLs (in bps)	Q1 14	Q4 13	Q3 13	Q2 13	Q1 13
Personal Banking	30	28	29	32	28
Commercial Banking	15	18	15	21	14
Wealth Management	5	5	5	-	5
Financial Markets	-	(11)	-	6	(77)
<b>TOTAL</b>	<b>21</b>	<b>20</b>	<b>20</b>	<b>24</b>	<b>14</b>

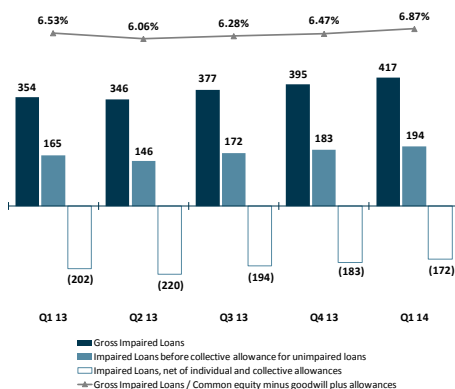
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## IMPAIRED LOANS AND FORMATION

(millions of dollars)

### IMPAIRED LOANS



### IMPAIRED LOANS FORMATION<sup>(1)</sup>

(millions of dollars)

	Q1 14	Q4 13	Q3 13	Q2 13	Q1 13
Retail	36	21	26	20	22
Commercial	9	23	36	(13)	34
Corporate Banking	-	(3)	(6)	7	(56)
Wealth Management	1	1	2	1	1
<b>Total</b>	<b>46</b>	<b>42</b>	<b>58</b>	<b>15</b>	<b>1</b>

(1) Formations include new accounts, disbursements, principal repayments, and exchange rate fluctuation

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## BUSINESS SEGMENT REVIEW

Jean Dagenais  
 Senior Vice-President  
 Finance, Taxation and Investor Relations

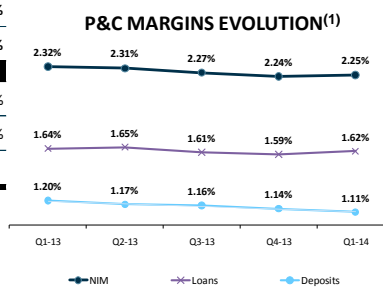


## PERSONAL AND COMMERCIAL BANKING

(millions of dollars)	Q1 14	Q4 13	Q1 13	QoQ	YoY
<b>Revenues</b>	<b>658</b>	<b>658</b>	<b>639</b>	<b>-%</b>	<b>3%</b>
Personal Banking	305	307	294	(1%)	4%
Commercial Banking	241	241	238	-%	2%
Credit Card	85	84	79	1%	7%
Insurance	27	26	28	4%	(1%)
<b>Operating Expenses</b>	<b>378</b>	<b>380</b>	<b>372</b>	<b>(1%)</b>	<b>2%</b>
<b>Provisions for Credit Losses</b>	<b>50</b>	<b>50</b>	<b>44</b>	<b>-%</b>	<b>14%</b>
<b>Net Income</b>	<b>168</b>	<b>167</b>	<b>163</b>	<b>1%</b>	<b>3%</b>
<b>Key Metrics (in millions)</b>					
Loans & BAs (avg vol.)	79,176	78,332	74,321	1%	7%
Deposits (avg vol.)	42,363	41,667	39,312	2%	8%
Efficiency Ratio (%)	57.5%	57.8%	58.2%		

### HIGHLIGHTS

- Revenues up 3% YoY due to strong volume growth
- Net Interest Margin is up 1 bp QoQ
- Operating leverage ratio at 1%, YoY
- Efficiency ratio improved by 70 bps YoY



(1) Note: NIM is on Earning Assets



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## WEALTH MANAGEMENT<sup>(1)</sup>

(millions of dollars)	Q1 14	Q4 13	Q1 13	QoQ	YoY
<b>Revenues</b>	<b>325</b>	<b>291</b>	<b>278</b>	<b>12%</b>	<b>17%</b>
Fee-based	155	143	133	8%	17%
Transaction & Others	93	78	77	20%	21%
Net Interest Income	77	70	68	10%	13%
<b>Operating Expenses</b>	<b>222</b>	<b>207</b>	<b>205</b>	<b>7%</b>	<b>8%</b>
<b>Provision for Credit Losses</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>
<b>Net Income</b>	<b>76</b>	<b>62</b>	<b>53</b>	<b>23%</b>	<b>43%</b>
<b>Key metrics (billions of dollars)</b>					
Loans & BAs (avg vol.)	8.1	8.0	7.8	1%	4%
Deposits (avg vol.)	24.4	22.1	20.5	11%	19%
Asset Under Administration	267	217	205	23%	30%
Asset Under Management	43	41	37	4%	14%
Efficiency Ratio (%)	68.3%	71.1%	73.7%		

### HIGHLIGHTS - YoY

- Very strong quarter with a net income growth of 43%
- Newly acquired TDWIS delivered \$6M of net income or 2 cents per share. Results are better than expected and we're now forecasting 8 cents per share contribution for the current fiscal year
- Revenues were up 17% or \$47M (12% and \$34M excluding the acquisition) with strong increase in all categories:
  - Good increase in deposits, AUA and AUM
  - Good market conditions and growth momentum in all businesses
- This led to an operating leverage of 9% (6% excluding the acquisition) and a productivity ratio of 68.3%

(1) Excluding specified items



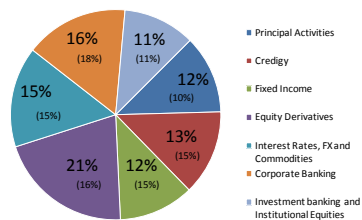
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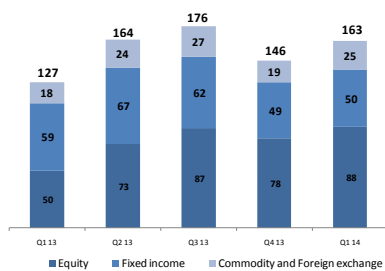
## FINANCIAL MARKETS

(millions of dollars)	Q1 14	Q4 13	Q1 13	QoQ	YoY
<b>Revenues</b>	<b>365</b>	<b>331</b>	<b>303</b>	<b>10%</b>	<b>20%</b>
Trading	163	146	127	12%	28%
Banking Services	58	61	54	(5)%	7%
Financial Market Fees	61	60	60	2%	2%
Gains on AFS Securities	11	2	4		
Other	72	62	58	16%	24%
<b>Operating Expenses</b>	<b>168</b>	<b>164</b>	<b>161</b>	<b>2%</b>	<b>4%</b>
<b>Loan Loss Recoveries</b>	<b>-</b>	<b>(2)</b>	<b>(13)</b>		
<b>Net Income</b>	<b>144</b>	<b>124</b>	<b>113</b>	<b>16%</b>	<b>27%</b>
<b>Other Metrics</b>					
CVA / DVA (millions of dollars)	0.5	(1.0)	1.9		
Proprietary Trading (millions of dollars)	8.7	4.1	8.4		
Efficiency Ratio (%)	46.0%	49.5%	53.1%		

Revenue Breakdown – Q1-14 (vs. Q1-13)



Trading Revenues (\$M)



## APPENDIX

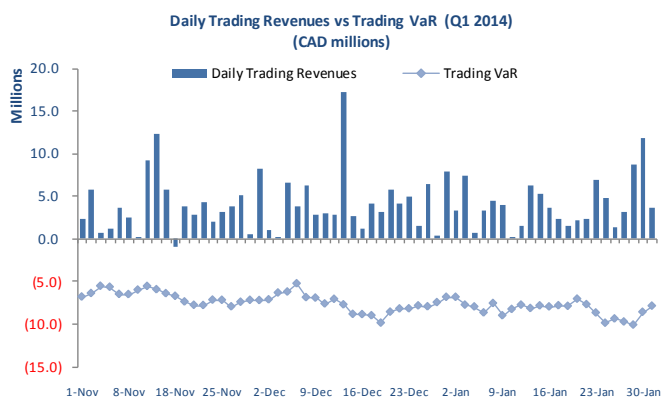
## APPENDIX 1 | DETAIL OF SPECIFIED ITEMS

<i>(millions of dollars)</i>	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14
Wealth Management and other acquisitions	(8)	(9)	(8)	(14)	(11)
Severance Pay	-	-	-	(12)	-
MAV and Other Notes	12	137	(4)	(3)	40
Leases Termination	-	-	-	(16)	-
Write-off of Intangible Assets	-	(39)	-	-	-
Item related to employee benefits	35	-	-	-	-
Income Before Income Taxes	39	89	(12)	(45)	29
Income Taxes	(10)	(24)	3	12	(8)
Income Tax Recovery	-	-	37	-	-
Net Income	29	65	28	(33)	21
EPS Impact	0.08	0.20	0.09	(0.10)	0.06

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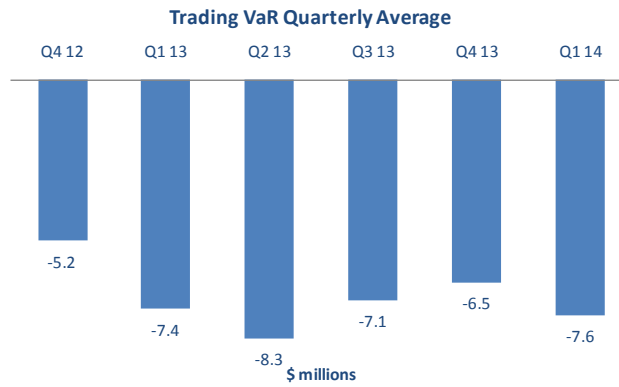
## APPENDIX 2 | Daily Trading Revenues vs VAR



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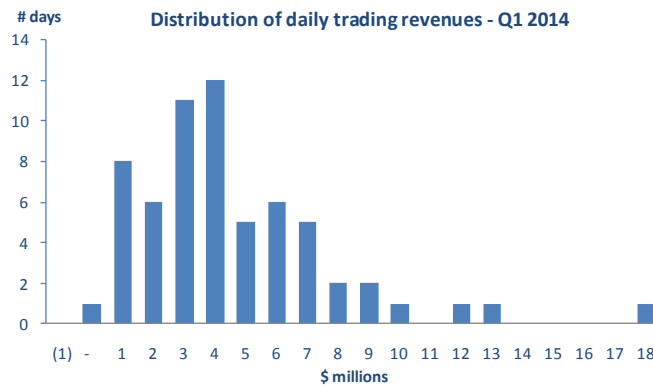
## APPENDIX 3 | VaR TREND



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## APPENDIX 4 | TRADING P&L RESULTS



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## **INVESTOR RELATIONS**

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

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