

# INVESTOR PRESENTATION

## Q2|19

May 30, 2019

# CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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From time to time, the Bank makes written and oral forward-looking statements, such as those contained in the Economic Review and Outlook section of this Report to Shareholders and in the Major Economic Trends section of the 2018 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 2019 and the objectives it hopes to achieve for that period. These forward-looking statements are made in accordance with current securities legislation in Canada and the United States. They include, among others, statements with respect to the economy—particularly the Canadian and U.S. economies—market changes, observations regarding the Bank’s objectives and its strategies for achieving them, Bank-projected financial returns and certain risks faced by the Bank. These forward-looking statements are typically identified by future or conditional verbs or words such as “outlook,” “believe,” “anticipate,” “estimate,” “project,” “expect,” “intend,” “plan,” and similar terms and expressions.

By their very nature, such forward-looking statements require assumptions to be made and involve inherent risks and uncertainties, both general and specific. Assumptions about the performance of the Canadian and U.S. economies in 2019 and how that will affect the Bank’s business are among the main factors considered in setting the Bank’s strategic priorities and objectives and in determining its financial targets, including provisions for credit losses. In determining its expectations for economic growth, both broadly and in the financial services sector in particular, the Bank primarily considers historical economic data provided by the Canadian and U.S. governments and their agencies.

There is a strong possibility that express or implied projections contained in these forward-looking statements will not materialize or will not be accurate. The Bank recommends that readers not place undue reliance on these statements, as a number of factors, many of which are beyond the Bank’s control, could cause actual future results, conditions, actions or events to differ significantly from the targets, expectations, estimates or intentions expressed in the forward-looking statements. These factors include credit risk, market risk, liquidity and funding risk, operational risk, regulatory compliance risk, reputation risk, strategic risk and environmental risk, all of which are described in more detail in the Risk Management section beginning on page 52 of the 2018 Annual Report, and more specifically, general economic environment and financial market conditions in Canada, the United States and certain other countries in which the Bank conducts business, including regulatory changes affecting the Bank’s business; changes in the accounting policies the Bank uses to report its financial condition, including uncertainties associated with assumptions and critical accounting estimates; tax laws in the countries in which the Bank operates, primarily Canada and the United States (including the U.S. Foreign Account Tax Compliance Act (FATCA)); changes to capital and liquidity guidelines and to the manner in which they are to be presented and interpreted; changes to the credit ratings assigned to the Bank; and potential disruptions to the Bank’s information technology systems, including evolving cyber attack risk.

The foregoing list of risk factors is not exhaustive. Additional information about these factors can be found in the Risk Management section of the 2018 Annual Report. Investors and others who rely on the Bank’s forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. Except as required by law, the Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time, by it or on its behalf.

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

# OVERVIEW

**Louis Vachon**  
President & Chief Executive Officer

# OVERVIEW – Q2|19

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| (\$MM, TEB)      | Q2 19  | Q1 19  | Q2 18  | QoQ  | YoY  |
|------------------|--------|--------|--------|------|------|
| Revenues         | 1,850  | 1,862  | 1,818  | (1%) | 2%   |
| Net Income       | 558    | 552    | 547    | 1%   | 2%   |
| Diluted EPS      | \$1.51 | \$1.50 | \$1.44 | 1%   | 5%   |
| PCL              | 84     | 88     | 91     | (5%) | (8%) |
| Return on Equity | 17.8%  | 17.2%  | 18.6%  |      |      |
| CET1 Ratio       | 11.5%  | 11.5%  | 11.3%  |      |      |

## Highlights

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- Solid performance with EPS up 5%
- Credit quality remains strong
- Industry-leading ROE
- Strong capital position
- Quarterly dividend increase of \$0.03, or 5%, to \$0.68
- Renewal of NCIB program for 6 million (~2%) common shares
- Favorable economic conditions in core Québec market

# SEGMENT HIGHLIGHTS – Q2|19

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| NET INCOME (\$MM)                    | Q2 19 | Q1 19 | Q2 18 | QoQ  | YoY   |
|--------------------------------------|-------|-------|-------|------|-------|
| P&C Banking                          | 234   | 246   | 215   | (5%) | 9%    |
| Wealth Management                    | 118   | 125   | 112   | (6%) | 5%    |
| Financial Markets                    | 160   | 170   | 190   | (6%) | (16%) |
| US Specialty Finance & International | 72    | 60    | 63    | 20%  | 14%   |

## P&C Banking

- Strong performance with net earnings up 9%
- Disciplined cost management with operating leverage at 3%

## Wealth Management

- Good performance supported by good volume growth and favorable market conditions
- Maintaining double-digit earnings growth target through the cycle

## Financial Markets

- Solid performance in C&IB
- Lower Global Markets revenues mainly driven by business mix and lower activities in the Equity business

## USSF&I

- Strong growth in ABA Bank
- Disciplined growth at Credigy

# FINANCIAL REVIEW

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

# TRANSFORMATION DRIVING EFFICIENCY

| <b>Total Bank</b><br>(\$MM, TEB) | <b>Q2 19</b> | <b>Q1 19</b> | <b>Q2 18</b> | <b>QoQ</b> | <b>YoY</b> |
|----------------------------------|--------------|--------------|--------------|------------|------------|
| Revenues                         | 1,850        | 1,862        | 1,818        | (0.6%)     | 1.8%       |
| Expenses                         | 1,026        | 1,026        | 992          | -          | 3.4%       |
| Operating Leverage               |              |              |              |            | (1.6%)     |
| Efficiency Ratio                 | 55.5%        | 55.1%        | 54.6%        | 0.4%       | 0.9%       |

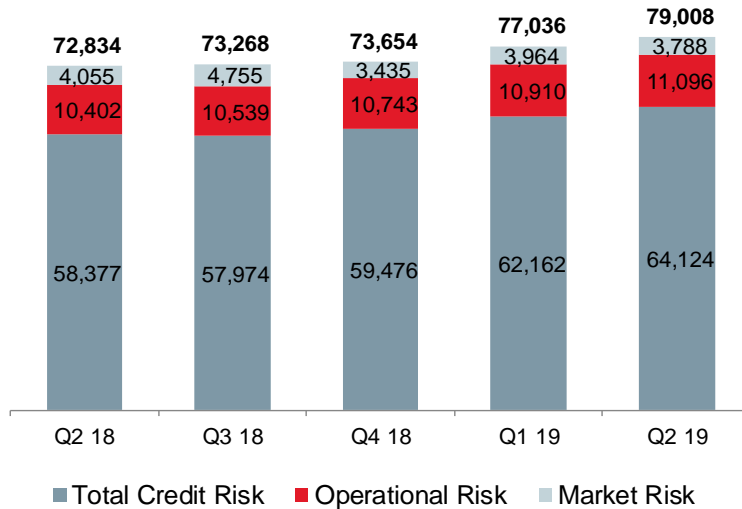
| <b>Business Segments</b><br>(TEB)    | <b>Revenue Growth</b><br>Q2 19 vs Q2 18 | <b>Expense Growth</b><br>Q2 19 vs Q2 18 | <b>Operating Leverage</b> | <b>Efficiency Ratio</b><br>Q2 19 |
|--------------------------------------|---|---|---------------------------|----------------------------------|
| Personal & Commercial                | 4.8%                                    | 1.6%                                    | 3.2%                      | 54.3%                            |
| Wealth Management                    | 3.1%                                    | 2.3%                                    | 0.8%                      | 62.4%                            |
| Financial Markets                    | (7.6%)                                  | 1.7%                                    | (9.3%)                    | 44.3%                            |
| US Specialty Finance & International | 2.3%                                    | 19.4%                                   | (17.1%)                   | 41.6%                            |

## Highlights

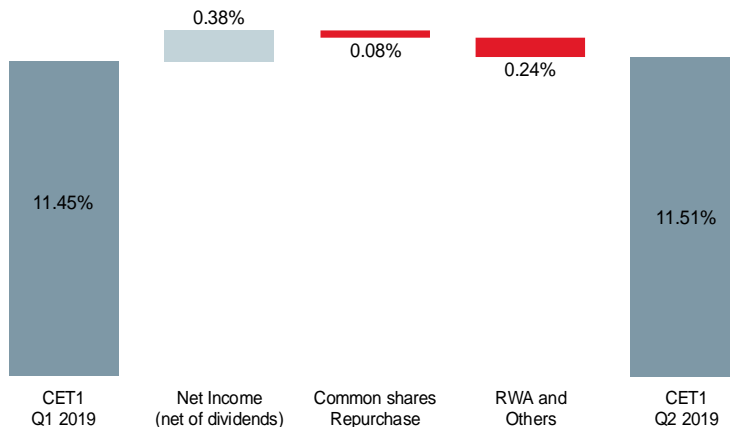
- Targeting positive operating leverage in F2019
- Continued focus on managing our costs
  - Expenses up 3.4% YoY and flat QoQ
- Positive operating leverage in P&C and Wealth Management
- Financial Markets
  - Softer revenues in Equity business
  - Industry-leading efficiency ratio of 44%
- USSF&I
  - ABA's higher expenses to support network expansion
  - Credigy: lower revenues due to maturity and repayment; mostly fixed expense structure

# STRONG CAPITAL POSITION

## Total RWA under Basel III



## CET1 under Basel III Evolution (QoQ)



## Highlights

- Common Equity Tier 1 ratio at 11.5%
  - Pro forma impact of +25 bps from Fiera transaction in Q3
- Total capital ratio at 16.2%
- Leverage ratio at 4.0%
- Liquidity coverage ratio at 141%
- RWA growth due to a larger book size to support client activity
- NCIB:
  - Q2-19 buyback: 1 million common shares
  - Total over LTM: ~6.5 million common shares
  - New NCIB program for 6 million common shares







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# RISK MANAGEMENT

**William Bonnell**

Executive Vice-President  
Risk Management





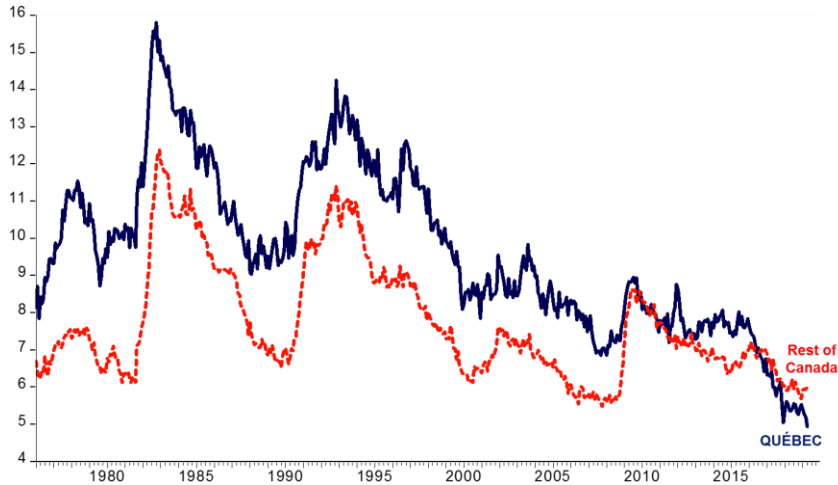


# APPENDICES

# APPENDIX 1 | STRONG FUNDAMENTALS IN QUÉBEC ECONOMY

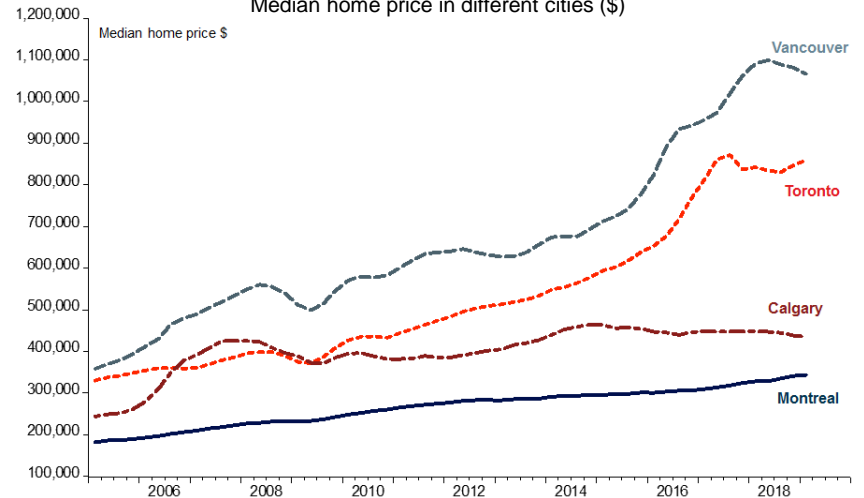
## Jobless rate at historical lows

Jobless rate % - Rest of Canada and Québec



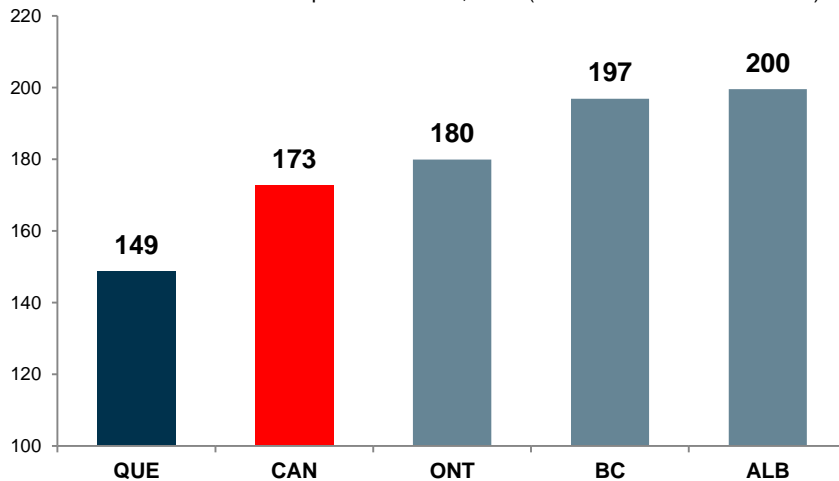
## Affordable home prices

Median home price in different cities (\$)



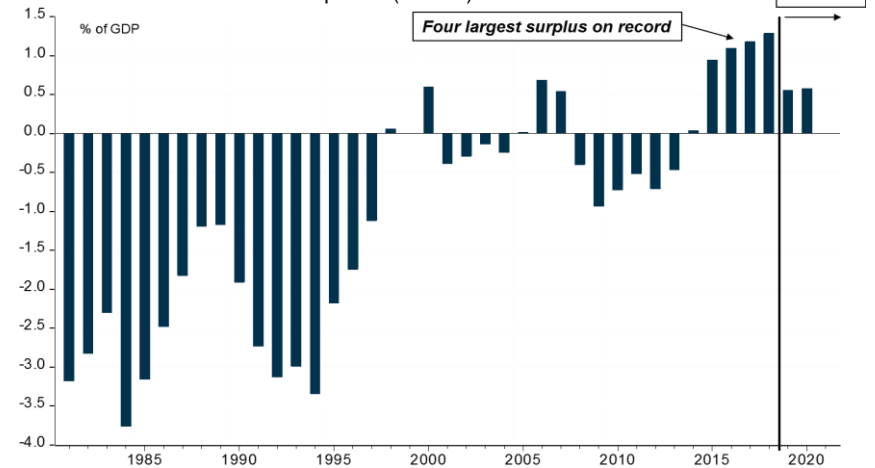
## Household leverage below national average

Household debt as a % of disposable income, 2017 (Data does not include NPISH)



## Sound public finances

Historical surpluses (deficits) – Province of Québec















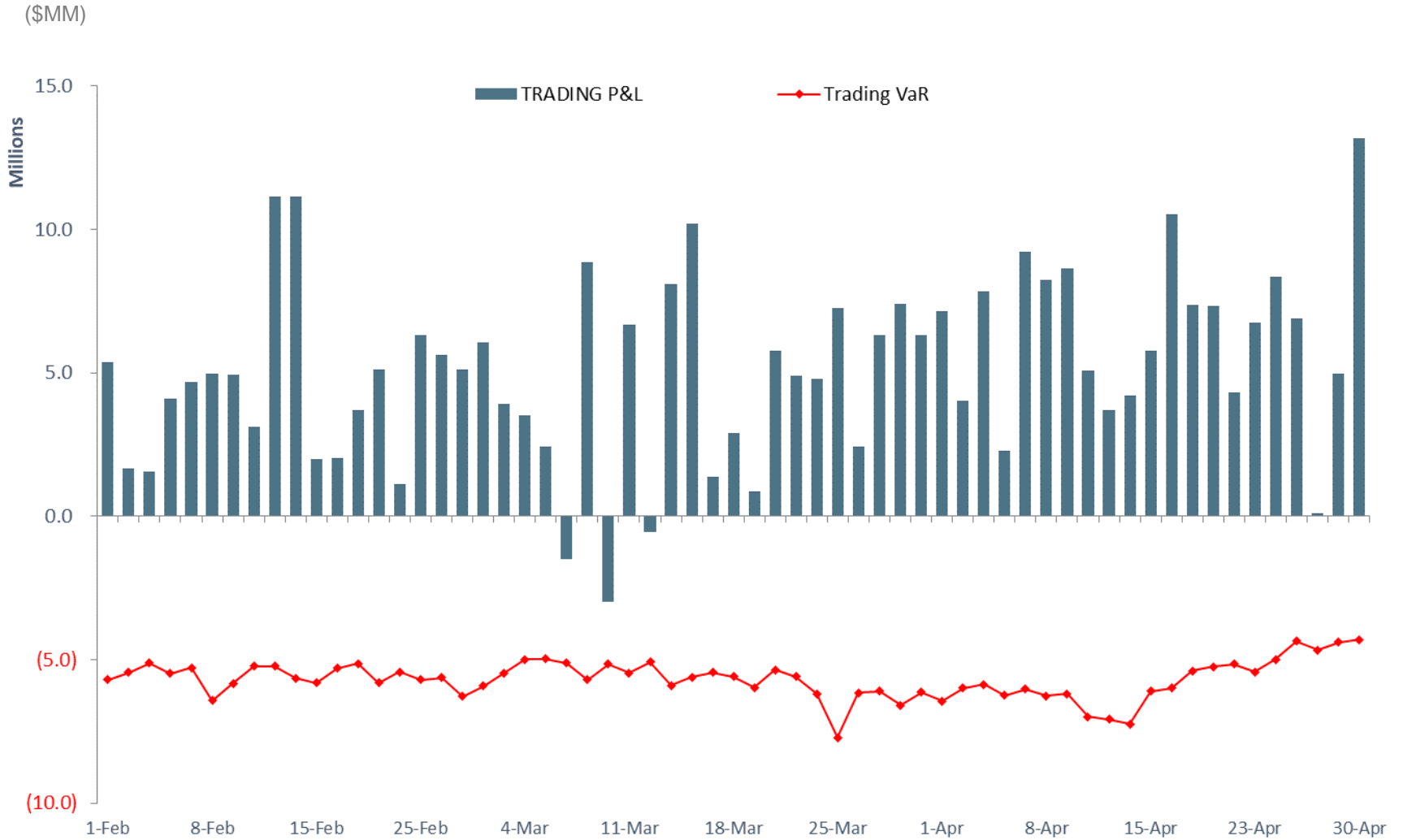








# APPENDIX 11 | DAILY TRADING AND UNDERWRITING REVENUES VS. VAR

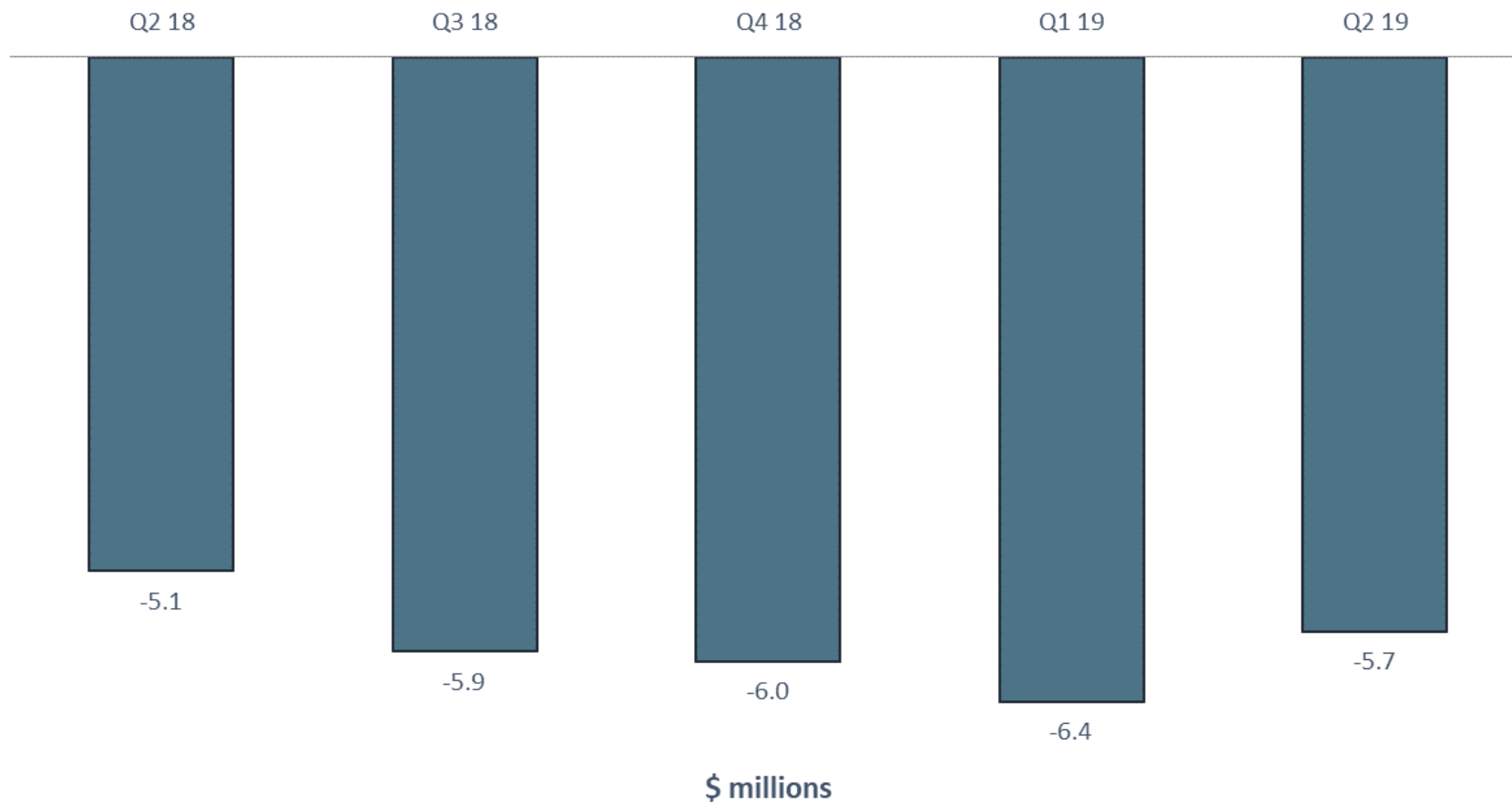




## APPENDIX 12 | TRADING VaR TREND

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(\$MM)





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## INVESTOR RELATIONS CONTACT INFORMATION

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