

National Bank reports its results for the First Quarter of 2022

The financial information reported in this document is based on the unaudited interim condensed consolidated financial statements for the first quarter ended January 31, 2022 and is prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), unless otherwise indicated. IFRS represent Canadian generally accepted accounting principles (GAAP). All amounts are presented in Canadian dollars.

MONTREAL, February 25, 2022 – For the first quarter of 2022, National Bank is reporting net income of \$932 million compared to \$761 million in the first quarter of 2021. First-quarter diluted earnings per share stood at \$2.65 compared to \$2.15 in the first quarter of 2021. This growth was driven by year-over-year increases in the first-quarter total revenues of all the business segments, by reversals of allowances for credit losses on non-impaired loans given improvements in the macroeconomic outlook and in credit conditions, and by a reduction in provisions for credit losses on impaired loans. Income before provisions for credit losses and income taxes totalled \$1,189 million in the first quarter of 2022 compared to \$1,044 million in the first quarter of 2021, a 14% increase arising from good performance across all of the business segments.

“The Bank is entering fiscal 2022 on a positive note thanks to excellent performance by its business segments, strong regulatory capital, and adequate allowances for credit losses,” said Laurent Ferreira, President and Chief Executive Officer of National Bank of Canada. “Solid revenue growth helped the Bank achieve a high return on equity in the first quarter,” added Mr. Ferreira.

Highlights

(millions of Canadian dollars)	Quarter ended January 31		
	2022	2021	% Change
Net income	932	761	22
Diluted earnings per share (<i>dollars</i>)	\$ 2.65	\$ 2.15	23
Income before provisions for credit losses and income taxes	1,189	1,044	14
Return on common shareholders' equity ⁽¹⁾	21.7 %	21.2 %	
Dividend payout ratio ⁽¹⁾	31.3 %	45.7 %	
	As at January 31, 2022	As at October 31, 2021	
CET1 capital ratio under Basel III ⁽²⁾	12.7 %	12.4 %	
Leverage ratio under Basel III ⁽²⁾	4.4 %	4.4 %	

(1) For details on the composition of these measures, see the Glossary section on pages 43 to 45 in the *Report to Shareholders – First Quarter 2022*, which is available on the Bank's website at nbc.ca or the SEDAR website at sedar.com.

(2) For additional information on capital management measures, see the Financial Reporting Method section on pages 6 to 8 in the *Report to Shareholders – First Quarter 2022*, which is available on the Bank's website at nbc.ca or the SEDAR website at sedar.com.

Personal and Commercial

- Net income totalled \$317 million in the first quarter of 2022 versus \$250 million in the first quarter of 2021, strong growth that was essentially driven by an increase in total revenues and lower provisions for credit losses.
- Income before provisions for credit losses and income taxes totalled \$426 million in the first quarter of 2022, up 11% from \$385 million in the first quarter of 2021.
- At \$958 million, first-quarter total revenues rose \$77 million or 9% year over year due to higher net interest income, which was up owing to loan and deposit growth (tempered by a lower net interest margin) and to higher non-interest income.
- Compared to a year ago, personal lending grew 9% and commercial lending grew 21%.
- Net interest margin⁽¹⁾ stood at 2.05% in the first quarter of 2022, down from 2.16% in the first quarter of 2021.
- First-quarter non-interest expenses stood at \$532 million, up 7% from the first quarter of 2021.
- First-quarter provisions for credit losses were down \$50 million compared to the first quarter of 2021, a decrease arising from reversals of allowances for credit losses on non-impaired loans and from a decrease in provisions for credit losses on impaired loans.
- At 55.5%, the efficiency ratio⁽¹⁾ improved from 56.3% in the first quarter of 2021.

Wealth Management

- Net income totalled \$176 million in the first quarter of 2022, an 11% increase from \$158 million in the first quarter of 2021.
- First-quarter total revenues amounted to \$592 million compared to \$518 million in first-quarter 2021, a \$74 million or 14% increase driven mainly by growth in fee-based revenues.
- First-quarter non-interest expenses stood at \$352 million compared to \$305 million in first-quarter 2021, a 15% increase associated with revenue growth.
- At 59.5%, the efficiency ratio⁽¹⁾ compares to 58.9% in the first quarter of 2021.

Financial Markets

- Net income totalled \$307 million in the first quarter of 2022 versus \$255 million in the first quarter of 2021, a 20% increase that was essentially due to higher total revenues and lower provisions for credit losses.
- Income before provisions for credit losses and income taxes on a taxable equivalent basis totalled \$402 million in the first quarter of 2022, up 10% from \$367 million in the first quarter of 2021.
- First-quarter total revenues on a taxable equivalent basis reached a record \$662 million, a \$64 million or 11% year-over-year increase attributable to global markets revenue.
- First-quarter non-interest expenses stood at \$260 million compared to \$231 million in first-quarter 2021, an increase that was partly attributable to compensation and employee benefits as well as to operations support charges.
- \$16 million in recoveries of credit losses were recorded in the first quarter of 2022, whereas \$20 million in provisions for credit losses had been recorded in the first quarter of 2021, essentially due to lower provisions for credit losses on impaired loans.
- At 39.3%, the efficiency ratio⁽¹⁾ on a taxable equivalent basis compares to 38.6% in the first quarter of 2021.

U.S. Specialty Finance and International

- Net income totalled \$148 million in the first quarter of 2022 versus \$136 million in the first quarter of 2021, a 9% increase that was due to higher total revenues combined with lower non-interest expenses.
- First-quarter total revenues amounted to \$285 million, a 4% year-over-year increase driven by revenue growth at the ABA Bank subsidiary, tempered by a decrease in revenues at the Credigy subsidiary.
- First-quarter non-interest expenses stood at \$80 million, down 4% from first-quarter 2021.
- At 28.1%, the efficiency ratio⁽¹⁾ improved from 30.3% in the first quarter of 2021.

Other

- Net loss stood at \$16 million in the first quarter of 2022 versus a net loss of \$38 million in the first quarter of 2021, due to a decrease in non-interest expenses and an increase in total revenues.

Capital Management

- As at January 31, 2022, the Common Equity Tier 1 (CET1) capital ratio under Basel III⁽²⁾ stood at 12.7%, up from 12.4% as at October 31, 2021.
- As at January 31, 2022, the Basel III⁽²⁾ leverage ratio was 4.4%, unchanged from October 31, 2021.

Dividends

- On February 24, 2022, the Board of Directors declared regular dividends on the various series of first preferred shares and a dividend of 87 cents per common share payable on May 1, 2022 to shareholders of record on March 28, 2022.

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COVID-19 Pandemic

Since March 11, 2020, the date on which the World Health Organization (WHO) declared that the COVID-19 outbreak constituted a pandemic, many countries, including Canada, deployed substantial protective measures to prevent overcrowding at health services and to strengthen preventive hygiene. These lockdown and social distancing measures, which included the closing of aerial, maritime, and land borders, were taken to prevent new outbreaks.

During the fiscal years ended October 31, 2021 and 2020, some of the restrictions imposed at the start of the pandemic were eased, but subsequent waves of COVID-19 forced authorities in a number of countries, including those in Canada, to reintroduce lockdown measures, effectively shutting down parts of the economy again. The authorities in many countries, including those in Canada, are actively working to ensure that widespread vaccination coverage is achieved as quickly as possible. However, uncertainty remains regarding the long-term effectiveness of the vaccines, the acceptance thereof by the public, and the anticipated reduction of infection rates, especially given a rise in cases linked to more contagious COVID-19 variants in recent months. Certain measures by the public health authorities in Canada are expected to remain in place to continue limiting the spread of COVID-19 and its variants.

In Canada, banking services are considered essential services and have therefore been maintained despite the lockdown and social distancing measures. Given the current economic and social conditions, the Bank is committed to supporting its employees, clients, and communities.

The Bank is continuing to closely monitor the potential impacts of the COVID-19 pandemic. It is not possible to predict the full impacts that the pandemic will have on the global economy, on the countries in which the Bank operates, on the Bank's clients, and on the Bank itself, including its business activities, results of operations, financial position, regulatory capital and liquidity ratios, reputation, and ability to satisfy regulatory requirements. The actual impacts will depend on future events that are highly uncertain, including the extent, severity, and duration of the COVID-19 pandemic, and on the effectiveness of actions and measures taken by governments, monetary authorities, and regulators over the long term.

For additional information on the impact of the COVID-19 risk factor, on relief measures offered to the Bank's clients, and on the measures introduced by regulators, see the COVID-19 Pandemic section on pages 16 to 18 of the *2021 Annual Report*.

A number of the relief measures offered to the Bank's clients at the start of the pandemic ended in 2020, although some measures were being offered as part of various government programs in which the Bank is participating. These measures consist mainly of loans backed by government guarantees, particularly for businesses operating in sectors hit hardest by the pandemic. In the normal course of business, the Bank is continuing to address the specific needs of its clients to support them during this unprecedented crisis.

Financial Reporting Method

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

The presentation of segment disclosures is consistent with the presentation adopted by the Bank for the fiscal year beginning November 1, 2021. This presentation reflects the fact that the loan portfolio of borrowers in the "Oil and gas, and pipelines" sector and related activities, which had previously been reported in the Personal and Commercial segment, are now reported in the Financial Markets segment. The Bank made this change to better align the monitoring of its activities with its management structure.

Non-GAAP and Other Financial Measures

The Bank uses a number of financial measures when assessing its results and measuring overall performance. Some of these financial measures are not calculated in accordance with GAAP. *Regulation 52-112 respecting Non-GAAP and Other Financial Measures Disclosure* (Regulation 52-112) prescribes disclosure requirements that apply to the following measures used by the Bank:

- non-GAAP financial measures;
- non-GAAP ratios;
- supplementary financial measures;
- capital management measures.

Non-GAAP Financial Measures

The Bank uses non-GAAP financial measures that do not have standardized meanings under GAAP and that therefore may not be comparable to similar measures used by other companies. Presenting non-GAAP financial measures helps readers to better understand how management analyzes results, shows the impacts of specified items on the results of the reported periods, and allows readers to assess results without the specified items if they consider such items not to be reflective of the underlying performance of the Bank's operations. The Bank excludes certain specified items that are inherently unpredictable from its results. In addition, like many other financial institutions, the Bank uses the taxable equivalent basis to calculate net interest income, non-interest income, and income taxes. This calculation method consists of grossing up certain tax-exempt income (particularly dividends) by the income tax that would have been otherwise payable. An equivalent amount is added to income taxes. This adjustment is necessary in order to perform a uniform comparison of the return on different assets regardless of their tax treatment.

For additional information on non-GAAP financial measures, on non-GAAP ratios, on supplementary financial measures, and on capital management measures, see the Financial Reporting Method section and the Glossary section, on pages 6 to 8 and 43 to 45, respectively, in the *Report to Shareholders – First Quarter 2022*, which is available on the Bank's website at nbc.ca or the SEDAR website at sedar.com.

Reconciliation of Non-GAAP Financial Measures

Presentation of Results – Adjusted

(millions of Canadian dollars)

Quarter ended January 31

						2022	2021
	Personal and Commercial	Wealth Management	Financial Markets	USSF&I	Other	Total	Total
Net interest income	669	119	339	270	(65)	1,332	1,207
Taxable equivalent	–	–	59	–	1	60	54
Net interest income – Adjusted	669	119	398	270	(64)	1,392	1,261
Non-interest income	289	473	260	15	97	1,134	1,017
Taxable equivalent	–	–	4	–	–	4	3
Non-interest income – Adjusted	289	473	264	15	97	1,138	1,020
Total revenues – Adjusted	958	592	662	285	33	2,530	2,281
Non-interest expenses	532	352	260	80	53	1,277	1,180
Income before provisions for credit losses and income taxes – Adjusted	426	240	402	205	(20)	1,253	1,101
Provisions for credit losses	(5)	–	(16)	18	1	(2)	81
Income before income taxes – Adjusted	431	240	418	187	(21)	1,255	1,020
Income taxes	114	64	48	39	(6)	259	202
Taxable equivalent	–	–	63	–	1	64	57
Income taxes – Adjusted	114	64	111	39	(5)	323	259
Net income	317	176	307	148	(16)	932	761
Non-controlling interests	–	–	–	–	–	–	–
Net income attributable to the Bank's shareholders and holders of other equity instruments	317	176	307	148	(16)	932	761

Highlights

(millions of Canadian dollars, except per share amounts)

Quarter ended January 31

	2022	2021	% Change
Operating results			
Total revenues	2,466	2,224	11
Income before provisions for credit losses and income taxes	1,189	1,044	14
Net income	932	761	22
Net income attributable to the Bank's shareholders and holders of other equity instruments	932	761	22
Return on common shareholders' equity ⁽¹⁾	21.7 %	21.2 %	
Earnings per share			
Basic	\$ 2.68	\$ 2.16	24
Diluted	2.65	2.15	23
Operating results – Adjusted⁽²⁾			
Total revenues – Adjusted ⁽²⁾	2,530	2,281	11
Income before provisions for credit losses and income taxes – Adjusted ⁽²⁾	1,253	1,101	14
Net income – Adjusted ⁽²⁾	932	761	22
Return on common shareholders' equity – Adjusted ⁽³⁾	21.7 %	21.2 %	
Operating leverage – Adjusted ⁽³⁾	2.7 %	4.0 %	
Efficiency ratio – Adjusted ⁽³⁾	50.5 %	51.7 %	
Earnings per share – Adjusted⁽²⁾			
Basic	\$ 2.68	\$ 2.16	24
Diluted	2.65	2.15	23
Common share information			
Dividends declared	\$ 0.87	\$ 0.71	
Book value ⁽¹⁾	50.23	41.48	
Share price			
High	105.44	73.81	
Low	94.37	65.54	
Close	101.70	71.87	
Number of common shares (<i>thousands</i>)	338,367	336,770	
Market capitalization	34,412	24,204	
	As at January 31, 2022	As at October 31, 2021	% Change
Balance sheet and off-balance-sheet			
Total assets	366,888	355,795	3
Loans and acceptances, net of allowances	188,080	182,689	3
Deposits	247,095	240,938	3
Equity attributable to common shareholders	16,996	16,203	5
Assets under administration ⁽¹⁾	654,538	651,530	–
Assets under management ⁽¹⁾	118,205	117,186	1
Regulatory ratios under Basel III⁽⁴⁾			
Capital ratios			
Common Equity Tier 1 (CET1)	12.7 %	12.4 %	
Tier 1	15.2 %	15.0 %	
Total	16.1 %	15.9 %	
Leverage ratio			
TLAC ratio ⁽⁴⁾	27.8 %	26.3 %	
TLAC leverage ratio ⁽⁴⁾	8.0 %	7.8 %	
Liquidity coverage ratio (LCR)⁽⁴⁾			
Net stable funding ratio (NSFR) ⁽⁴⁾	149 %	154 %	
Other information			
Number of employees – Worldwide	27,804	26,920	3
Number of branches in Canada	385	384	–
Number of banking machines in Canada	937	927	1

(1) For details on the composition of these measures, see the Glossary section on pages 43 to 45 in the *Report to Shareholders – First Quarter 2022*, which is available on the Bank's website at nbc.ca or the SEDAR website at sedar.com.

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

(3) For additional information on non-GAAP ratios, see the Financial Reporting Method section on pages 6 to 8 and see the Glossary section on pages 43 to 45 in the *Report to Shareholders – First Quarter 2022*, which is available on the Bank's website at nbc.ca or the SEDAR website at sedar.com.

(4) For additional information on capital management measures, see the Financial Reporting Method section on pages 6 to 8 in the *Report to Shareholders – First Quarter 2022*, which is available on the Bank's website at nbc.ca or the SEDAR website at sedar.com.

Caution Regarding Forward-Looking Statements

From time to time, the Bank makes written forward-looking statements such as those contained in this document, in other filings with Canadian securities regulators, and in other communications. In addition, representatives of the Bank may make forward-looking statements orally to analysts, investors, the media, and others. All such statements are made in accordance with applicable securities legislation in Canada and the United States. Forward-looking statements in this document may include, but are not limited to, statements with respect to the economy—particularly the Canadian and U.S. economies—market changes, the Bank’s objectives, outlook and priorities for fiscal year 2022 and beyond, the strategies or actions that will be taken to achieve them, expectations for the Bank’s financial condition, the regulatory environment in which it operates, the potential impacts of—and the Bank’s response to—the COVID-19 pandemic, and certain risks it faces. These forward-looking statements are typically identified by verbs or words such as “outlook”, “believe”, “foresee”, “forecast”, “anticipate”, “estimate”, “project”, “expect”, “intend” and “plan”, in their future or conditional forms, notably verbs such as “will”, “may”, “should”, “could” or “would” as well as similar terms and expressions. Such forward-looking statements are made for the purpose of assisting the holders of the Bank’s securities in understanding the Bank’s financial position and results of operations as at and for the periods ended on the dates presented, as well as the Bank’s vision, strategic objectives, and financial performance targets, and may not be appropriate for other purposes.

By their very nature, these 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 2022, including in the context of the COVID-19 pandemic, and how that will affect the Bank’s business are among the main factors considered in setting the Bank’s strategic priorities and objectives including provisions for credit losses. In determining its expectations for economic conditions, both broadly and in the financial services sector in particular, the Bank primarily considers historical economic data provided by the governments of Canada, the United States, and certain other countries in which the Bank conducts business, as well as their agencies.

There is a strong possibility that the Bank’s express or implied predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that its assumptions may not be confirmed and that its vision, strategic objectives and financial performance targets will not be achieved. The Bank recommends that readers not place undue reliance on forward-looking statements, as a number of factors, many of which are beyond the Bank’s control, including the impacts of the COVID-19 pandemic, could cause actual results to differ significantly from the expectations, estimates or intentions expressed in these forward-looking statements. These risk factors include credit risk, market risk, liquidity and funding risk, operational risk, regulatory compliance risk, reputation risk, strategic risk, environmental and social risk, and certain emerging risks or risks deemed significant, all of which are described in greater detail in the Risk Management section beginning on page 69 of the *2021 Annual Report*. These risk factors also include, among others, the general economic environment and financial market conditions in Canada, the United States, and other countries where the Bank operates; exchange rate and interest rate fluctuations; higher funding costs and greater market volatility; changes made to fiscal, monetary, and other public policies; changes made to regulations that affect the Bank’s business; geopolitical and sociopolitical uncertainty; the transition to a low-carbon economy and the Bank’s ability to satisfy stakeholder expectations on environmental and social issues; significant changes in consumer behaviour; the housing situation, real estate market, and household indebtedness in Canada; the Bank’s ability to achieve its long-term strategies and key short-term priorities; the timely development and launch of new products and services; the Bank’s ability to recruit and retain key personnel; technological innovation and heightened competition from established companies and from competitors offering non-traditional services; changes in the performance and creditworthiness of the Bank’s clients and counterparties; the Bank’s exposure to significant regulatory matters or litigation; changes made to the accounting policies used by the Bank to report financial information, including the uncertainty inherent to assumptions and critical accounting estimates; changes to tax legislation in the countries where the Bank operates, i.e., primarily Canada and the United States; changes made to capital and liquidity guidelines as well as to the presentation and interpretation thereof; changes to the credit ratings assigned to the Bank; potential disruption to key suppliers of goods and services to the Bank; potential disruptions to the Bank’s information technology systems, including evolving cyberattack risk as well as identity theft and theft of personal information; and possible impacts of major events affecting the local and global economies, including international conflicts, natural disasters, and public health crises such as the COVID-19 pandemic. The foregoing list of risk factors is not exhaustive. Additional information about these risk factors is provided in the Risk Management section and in the COVID-19 Pandemic section of the *2021 Annual Report* and in the Report to Shareholders for the First Quarter of 2022, notably in the COVID-19 Pandemic section. 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.

Disclosure of the First Quarter 2022 results

Conference Call

- A conference call for analysts and institutional investors will be held on Friday, February 25, 2022 at 11:00 a.m. EST.
- Access by telephone in listen-only mode: 1-800-806-5484 or 416-340-2217. The access code is 8772703#.
- A recording of the conference call can be heard until March 25, 2022 by dialing 1-800-408-3053 or 905-694-9451. The access code is 2805224#.

Webcast

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

Financial Documents

- The *Report to Shareholders* (which includes the quarterly consolidated financial statements) is available at all times on National Bank's website at nbc.ca/investorrelations.
- The *Report to Shareholders*, the *Supplementary Financial Information*, the *Supplementary Regulatory Capital and Pillar 3 Disclosure*, and a slide presentation will be available on the Investor Relations page of National Bank's website on the morning of the day of the conference call.

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