

SPEAKING NOTES - NATIONAL BANK OF CANADA FOURTH QUARTER EARNINGS CONFERENCE CALL WEDNESDAY, DECEMBER 3, 2025

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Marianne Ratté – Vice President & Head, Investor Relations

Merci, and welcome, everyone.

We will begin the call with remarks from Laurent Ferreira, President and CEO; Marie Chantal Gingras, CFO; and Jean-Sébastien Grisé, Chief Risk Officer.

Our business heads are also present for the Q&A session, including:

- Lucie Blanchet, Personal Banking;
- Judith Ménard, Commercial and Private Banking;
- Michael Denham, CWB Integration;
- Nancy Paquet, Wealth Management;
- Étienne Dubuc, Capital Markets; and
- Bill Bonnell, International.

Before we begin, please refer to **Slide 2** of our presentation for forward-looking statements and non-GAAP measures. Management will refer to adjusted results, unless otherwise noted. I will now pass the call to Laurent.

Laurent Ferreira, President & CEO

Merci Marianne, and thank you everyone for joining us.

[Summary results]

This morning, we reported earnings per share of \$2.82 for the fourth quarter of 2025, and \$11.28 for the year. We delivered strong financial performance in 2025, while also completing the largest acquisition in our history.

We met all of our medium-term financial objectives, generating:

- Return on equity of 15.3%;
- EPS growth of 9%; and
- A dividend payout ratio of 40.7%, supporting a 7% increase in our common share dividend in 2025.

This was backed by resilient credit performance and strong capital levels, amid a complex macro backdrop.

[Macroeconomic context]

The geo-political and geo-economic situation that has defined 2025 will continue to shape business confidence and investments in 2026. Trade tensions with the U.S. are affecting all provinces, causing job losses in certain sectors, and a slowdown in the labour market. Meanwhile, inflation is proving sticky, with the path of monetary policy and interest rates uncertain. We are nonetheless encouraged by increased government focus on the economy, as reflected in the federal budget, which included tax cuts, investments in housing and infrastructure, and measures to stimulate business investment. This should support consumer consumption and resilience. We positively view the latest developments regarding nation-building projects, to regain our economic sovereignty as an energy superpower. We are also encouraged by government action in support of our steel and softwood lumber industries. The private sector and provincial governments must also play a role in revitalizing our manufacturing sectors; strengthening supply chains and building strategic development projects. With our increased national presence, the Bank intends to grow and deploy capital to help fuel Canada's economy.

[CWB]

Our acquisition of Canadian Western Bank in early 2025 marked a historic milestone for the Bank, positioning us for accelerated growth. The onboarding of new colleagues was our priority following closing. As a unified team, we have since migrated over 65,000 clients to our platforms and rebranded all branches. With these integration steps now behind us, we look forward to what comes next. Cost and funding synergies are being realized at an accelerated pace, and we expect to meet our target more than a year ahead of plan. This morning, we also introduced a significant target of between \$200 and \$250 million in revenue synergies, to be realized over the next three years. On capital, we plan on converting approximately two thirds of the CWB loan book to the advanced method in late 2026, with additional portfolios to be converted at a later stage. We expect this to add a total of 50 to 75 basis points to our CET1 ratio, including the benefits already realized in 2025.

[Laurentian Bank]

Earlier this week, we entered into definitive agreements to acquire Laurentian Bank's retail and SME banking portfolios, following their decision to exit the sector. We will also acquire their syndicated loan portfolio. It's a natural fit, given our strong presence in Quebec, enabling us to serve even more local customers and communities. This transaction also aligns with our growth and capital deployment strategies. We look forward to welcoming Laurentian's retail, SME and syndicated loan clients. They will benefit from our leading digital capabilities, our broader branch network, products and services offering, and financial advisory and business banking teams.

[ROE target / Capital deployment]

On capital, we ended the year with a CET1 ratio of 13.75%. Our strong earnings power and the anticipated AIRB migration benefits provide ample room to pursue our growth. Our commitment to disciplined capital deployment is well illustrated by our superior return on equity, and we remain firm in this commitment. We have a clear path to reach the mid-range of our medium-term ROE objective of 15 to 20%, while maintaining strong capital levels. Our priority is to accelerate organic growth and operational efficiency. We also intend to grow dividends at sustainable levels. In this regard, we announced a 5% quarterly dividend increase this morning, effective Q1 2026. This will be completed by share buybacks, which we started in September, and select tuck-ins in our P&C and Wealth businesses. A CET1 ratio converging around 13% represents an optimal capital level to operate at in the current environment and by the end of 2027.

For 2026, we are targeting EPS growth within our medium-term objective of 5 to 10% and positive operating leverage. This positions us well to once again achieve an ROE around 15%.

By 2027, we are targeting an ROE of 17% plus, as we reap the benefits of cost, funding and revenue synergies from CWB, growth in all sectors, continuous efficiency improvements across the Bank, and returning capital to shareholders.

[Segment review]

Turning now to the performance of our business segments.

P&C Banking generated net income of \$336 million in the fourth quarter, after recording a \$62 million pretax impairment charge on intangible assets and higher impaired credit losses on the CWB portfolio. Excluding CWB, Q4 P&C revenues were up 5% year over year, and we continue to grow our balance sheet. Personal mortgages grew 8% year over year, with continued momentum in originations. Our commercial loan book grew 12% year over year, reflecting broad-based growth across our industries and continued opportunities in insured residential real estate.

Looking forward to 2026 and including CWB, we expect to grow:

- Personal mortgages in the mid-single-digit range
- Commercial loans in the high single-digit range, with a gradual ramp-up as we expect to start growing the CWB portfolio in the second half of the year.

Wealth Management generated strong performance in the quarter and for the year. Net income grew 18% and 17%, respectively, driven by strong organic growth and rising equity markets. AUA now totals close to \$875 billion, and we remain focused on client acquisition.

Capital Markets generated strong quarterly results, with revenues of \$877 million. Corporate and Investment Banking delivered its second-best quarterly performance following a record Q3, with strong corporate activity. Global Markets performance was also strong, supported by Securities Finance and elevated issuances in equity Structured Products. The franchise delivered an exceptional performance in 2025, in what were also exceptional market conditions. Net income was up 34% from last year, reaching a record level of \$1.7 billion. As we look to 2026, here are some observations: For Corporate and Investment Banking, we have a strong pipeline and foresee continued growth in client and financing activity. For Global Markets, we are expecting normalized contribution from trading, with fewer market dislocations than in 2025.

Having said that, our franchise is growing:

- We expect steady opportunities in our rates and credit business
- And we also expect demand for equity structured products and securities finance to remain solid.

Credigy delivered net income of \$42 million in the fourth quarter. Average assets were up 8%, with investment volumes picking up in the second half of the year, generating 5% average asset growth for 2025. We will continue to execute new investments with discipline in 2026, in what remains a competitive market.

At ABA Bank, net income increased 8% year over year in the fourth quarter, reflecting balance sheet growth and a build in performing PCLs. Revenues were up 16% over the same period as ABA continued to grow its balance sheet, with deposits up 19% and loans up 9%.

We anticipate similar loan growth levels for next year at ABA.

[Management Changes]

A few weeks ago, we announced that Lucie Blanchet is transitioning to a strategic advisory role and that Julie Levesque is taking over as Head of Personal Banking, effective January 1st.

I'd like to take this opportunity to recognize Lucie for her many contributions over the last 23 years, including making the Bank a leader in client experience. I look forward to continuing to count on her counsel in her new role.

I also want to congratulate Julie on her appointment. A member of the Senior Leadership Team since 2020, Julie is the ideal candidate for the role, bringing her track record as Head of Operations and Technology to evolve our retail banking model, increase efficiency and accelerate our growth.

[Conclusion]

In conclusion, while the economic environment remains complex, the Bank enters 2026 from a position of financial strength and with a clear strategy.

With our increased national presence, diversified business mix, strong capital position and credit profile, we have the tools to generate continued growth and superior returns.

Our goal is to be a strong and reliable banking partner for Canadians from coast to coast, an employer of choice for our people, and to deliver sustainable value for our shareholders.

I will now pass the call to Marie Chantal.

Marie Chantal Gingras, CFO & EVP, Finance

Thank you, Laurent, and good morning, everyone.

My comments will begin on **Slide 11**. -- The bank delivered strong results in 2025. Revenues grew 25%, PTPP increased 32%, and we achieved positive operating leverage every quarter. Our performance reflected particular strength in Capital Markets and in Wealth Management. The CWB transaction added 878 million dollars to revenues and 440 million dollars to expenses. Excluding CWB, revenues increased 17% and PTPP was up 23%.

We capped the year with strong performance in the fourth quarter. Revenues increased 28% year over year and PTPP grew 33%. Operating leverage was positive at 4.4%.

Excluding CWB, revenues grew 18% year over year, expenses were up 14% and PTPP rose 21%. Expenses were mainly driven by higher technology and compensation costs, with variable compensation accounting for over half of the increase, consistent with our strong performance. Of note, Q4 technology expenses in the P&C segment included a 62 million dollar impairment of intangible assets, representing an after-tax impact of 11 cents per share.

Moving to **Slide 12**. -- NII excluding trading grew 3% sequentially, driven by solid growth on both sides of the balance sheet.

The all-bank NIM, excluding trading, was 2.19%, down 3 basis points from the prior quarter, primarily reflecting business mix. The P&C NIM was stable sequentially.

Looking ahead, we expect the P&C NIM to gradually trend upward in 2026 on the back of improving loan spread, with the all-bank non-trading NIM improving slightly in the second half of the year. As always, many factors could impact the total bank NIM, including business mix.

Turning now to **Slide 13**. -- We continued to deliver solid balance sheet growth, driven by strong momentum across the bank. Total loans reached 303 billion dollars, up 3% sequentially.

Deposits totalled 318 billion dollars. That is up 15 billion dollars or 5% sequentially, reflecting higher demand deposits in Wealth Management and ABA, as well as strong momentum in our commercial banking deposits.

Now moving to capital on **Slide 14**. -- We ended the quarter with a CET1 ratio of 13.75%, supported by capital generation of 35 basis points. Solid RWA growth consumed 40 basis points of capital, in line with balance sheet growth. Share buybacks during the quarter reduced the CET1 ratio by 11 basis points. Since September, we have bought back 2.1 million shares or approximately 27% of our current program.

Slide 15 provides a roadmap for the AIRB conversion of several CWB portfolios. We are pursuing a phased implementation, with the largest benefits expected in Q4 2026, subject to regulatory approvals. In 2026, we will submit models for approval covering General Commercial, Commercial Real Estate, and RESL portfolios, which together represent approximately two-thirds of acquired assets, or about 20 billion dollars of Standardized Credit Risk RWA. The models still under review for migration in 2027 and beyond include the Equipment finance and Optimum mortgage portfolios.

The total conversion is expected to free up 50 to 75 basis points of CET1, with the year-end capital level already reflecting the benefit of 5 basis points. We expect the next phase to release 35 to 55 basis points in Q4 2026, and the remainder in fiscal 2027 and onward.

Turning to **Slide 16**. -- With our strong execution, we are realizing cost and funding synergies ahead of plan. Since closing, we have delivered synergies of 116 million dollars, and we will achieve our Q1 2026 target of 135 million dollars by the end of the month. Building on this momentum, we now expect to fully realize the 270 million dollar target by the end of fiscal 2026, achieving this milestone in less than 2 years – more than a year ahead of our initial three-year plan.

On **Slide 17**, we introduce CWB revenue synergies. -- We are now providing a full suite of products and services to clients, generating opportunities for incremental NII and fee income. As we are focusing on post-integration servicing through the first half of the year, we will initially earn mostly ancillary revenues, and we'll see NII growth accelerating towards the second half of the year.

With these drivers, we expect to deliver pre-tax revenue synergies of approximately 50 million dollars in fiscal 2026, growing to between 200 and 250 million dollars by the end of fiscal 2028.

Now looking ahead to 2026, let me provide additional colour on our financial outlook following Laurent's remarks.

We expect adjusted EPS growth to be within our 5 to 10 percent medium-term objective, translating into an ROE of approximately 15%.

This will be supported by positive operating leverage for the full year, recalling that comparisons will be challenging against last year's strong first half.

We expect continued momentum across our business segments while the improvement we saw in the Other segment in the second half of the year should be maintained. Accordingly, we anticipate a PTPP loss ranging between 225 million and 275 million in the Other segment for 2026, with quarterly revenues and expenses at a lower level than in Q4.

Impaired PCLs are expected to be in line with last year's range of 25 to 35 basis points for the full year. Finally, we plan to continue repurchasing shares and have flexibility to increase the size of the program.

As for the recently announced transaction with Laurentian Bank, it is expected to be accretive to adjusted EPS by 1.5 to 2% in the first year following closing of the Retail Portfolio, and marginally accretive to adjusted ROE, before any revenue synergies.

The transaction is also expected to reduce our CET1 ratio by 25 to 30 basis points, of which approximately 5 basis points relate to the Syndicated Loan Portfolio. The regulatory capital treatment is expected to be under the Standardized Approach at each closing.

Also, please note that the transaction is not expected to have a material impact on our fiscal 2026 outlook.

To conclude, we are pleased with the strong performance, effective execution and strategic progress achieved in 2025. Going forward, our balanced investment and growth strategy positions us well to meet evolving client needs in an increasingly digital banking environment. Supported by robust capital, we are poised to accelerate organic growth while enhancing efficiency by optimizing our operations and advancing our technology. Furthermore, our strong execution enables us to capture revenue synergies that will underpin sustainable growth and profitability.

I will now turn the call over to Jean-Sébastien.

Jean-Sébastien Grisé, CRO & EVP, Risk Management

Merci Marie-Chantal and good morning everyone.

I'll start on **Slide 19**, looking at our credit performance over the past year.

Throughout 2025, the Canadian economy continued to soften, marked by slower growth, rising unemployment and tariff uncertainty. In response, the Bank of Canada cut interest rates to support economic activity.

In this environment, the performance of our credit portfolios remained resilient, benefiting from our defensive positioning, disciplined risk management and prudent provisioning.

TOTAL provisions for credit losses for the full year were 45 basis points. Excluding the initial provision on performing loans related to the CWB transaction, total PCLs were 36 basis points, and performing provisions were 8 basis points, as we prudently built additional allowances in every quarter.

As expected, impaired PCLs were 28 basis points for the full year, in line with our guidance.

Now turning to the fourth quarter results. Total PCLs were \$244 million, or 33 basis points, an increase of 5 basis points compared to the last quarter.

We added 4 basis points of performing provisions in Q4, primarily driven by model calibration and portfolio growth.

PCL on impaired loans were \$211 million or 28 basis points, up 7 basis points quarter-over-quarter and 4 basis points year-over-year.

Personal Banking provisions were \$9 million higher sequentially, mainly driven by consumer credit.

Commercial Banking provisions increased quarter over quarter by \$22 million, primarily driven by 3 files.

At ABA, impaired provisions increased to \$25 million US, due to new formations during the quarter, and model calibration.

Turning to **Slide 20**. Our total allowances for credit losses were \$2.4 billion, representing 5.5 times coverage of our net charge-offs.

Our performing allowances were \$1.6 billion, demonstrating a strong performing ACL coverage ratio of 2.0 times. We have been building allowances for the past 14 quarters, and remain comfortable with our prudent provisioning levels.

Turning to **Slide 21**. Our gross impaired loan ratio was 109 basis points. Excluding USSF&I, GILs were 81 basis points.

Net formations increased by 3 basis points compared to last quarter, mainly driven by one file in Capital Markets. At ABA, while net formations increased quarter-over-quarter, they remained below the Q4 2024 peak.

On **Slides 22 and 23**, we highlight our Canadian RESL portfolio. Approximately 85% of the portfolio has been repriced, absorbing the impact of higher interest rates. Upcoming renewals continue to show a significantly reduced payment shock compared to a year ago, and our variable rate mortgage portfolio has been benefitting from the lower interest rates.

On **Slide 35** we provide additional information on our Financial Services loans. Our largest exposure within the industry is from USSF&I, mainly Credigy. Excluding USSF&I, our non-bank financials represents less than 2% of our total loan portfolio.

Looking ahead to 2026, we anticipate economic growth to be slow yet positive amid persistent trade uncertainties. The unemployment rate is expected to remain relatively steady but elevated, while the lower interest rates should provide some support for consumer spending and the housing market. Accordingly, we remain cautious in our outlook.

Turning to our domestic portfolio, we expect further increases in delinquencies in retail, while our wholesale book remains subject to periodic lumpiness.

At Credigy, as in prior years, we expect provisions to be primarily driven by growth, mix, and normal seasoning of portfolios.

At ABA, with the local economy continuing to operate below potential, we expect impaired PCLs to remain elevated. At the total bank level, we expect impaired PCLs to remain within the range of 25 to 35 basis points for the full year 2026, with trends similar to what we observed this year.

In conclusion, we are pleased with the credit performance in 2025. As market dynamics continue to evolve, our defensive qualities, resilient business mix, and prudent allowances position us well entering 2026.

With that, I will now turn the call back to the operator for the Q&A.

*** Closing remarks ***

Laurent Ferreira, President & CEO

Thank you, operator.

First, I want to thank Lucie for her leadership in Personal Banking over the years. She shared with me that she will miss all of you and these calls. So thank you for all those years Lucie.

As we head into the holiday season, I wish to sincerely thank

- Our employees for their dedication;
- Our shareholders for their continued confidence; and
- Our clients for their loyalty and trust.

On behalf of the National Bank team, we wish you all the best for the holidays and the new year.

Thank you.