NATIONAL BANK OF CANADA

Fixed Income Presentation

As of October 31, 2018

NATIONAL BANK | Powering your ideas™

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 section of this 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 Annual Report; 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, capital and liquidity; 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 this 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 -
NATIONAL BANK OF CANADA

NBC AT A GLANCE

NATIONAL BANK IN FIGURES	As at October 31, 2018
Number of employees	23,450
Number of branches	428
Number of banking machines	937
Number of clients	2.7 million
Assets	$262 billion
Assets under management/administration	$485 billion
Common share price at closing (TSX:NA)	$59.76
Stock market capitalization	$20 billion

F2018 HIGHLIGHTS

- Strong performance in all sectors in F2018
- Industry leading ROE of 18.5%
- Strong capital levels
- Quarterly dividend increase of $0.03 or 5% to $0.65/share
- Industry leading total shareholder return over 3 & 10 years
- F2019 target operating leverage: 1 – 2%

Financial Performance[1]	F2018	F2017
Total revenues[2]	$7,420	$6,864
Net income	$2,249	$2,049
Earnings per share (diluted)	$5.99	$5.45
Return on common shareholders' equity	18.5%	18.3%
Efficiency ratio	54.6%	55.9%
Common Equity Tier 1 ratio (Basel III)	11.7%	11.2%
Leverage Ratio	4.0%	4.0%
Liquidity Coverage Ratio (LCR)	147%	132%

(1) Excluding specified items

(2) Taxable equivalent basis

C$ millions

HIGHLIGHTS – F2018

(millions of dollars)

ADJUSTED NET INCOME	12M 18	12M 17	YoY
P&C Banking	948	903	5% / 8%[1]
Wealth Management	506	431	17%
Financial Markets	764	698	9%
US Specialty Finance & International	222	184	21%

SEGMENT HIGHLIGHTS

- **P&C BANKING – Net income up 8%[1]**
  - Strong momentum in Retail and Commercial
  - Continued efficiency improvements
  - Balancing growth, margins and credit quality
- **WEALTH MANAGEMENT – Net income up 17%**
  - Strong performance in all business lines
  - Volume growth and margin increase from higher interest rates
- **FINANCIAL MARKETS – Net income up 9%**
  - Consistent performance overtime
  - Strong momentum in corporate & investment banking
- **USSFI – Net income up 21%**
  - Disciplined growth at Credigy
  - Strong growth in ABA Bank

(1) Excluding sectoral provision reversal of $40 million in F2017

LOAN PORTFOLIO OVERVIEW

(billions of dollars)	Q4 18	% of Total
Secured - Mortgage & HELOC	70.6	*48%*
Secured - Other [(2)]	9.1	*7%*
Unsecured	5.3	*4%*
Credit Cards	2.1	*1%*
Total Retail	87.0	***60%***

(billions of dollars)	Q4 18	% of Total
Real Estate	10.0	*7%*
Agriculture	5.8	*4%*
Manufacturing	5.5	*4%*
Retail & Wholesale Trade	5.2	*3%*
Finance and Insurance	4.7	*3%*
Oil & Gas	2.5	*2%*
Other [(1)]	24.4	*16%*
Total Wholesale	**58.1**	***39%***
Purchased or originated credit-impaired	**1.6**	***1%***
Total Gross Loans and Acceptances	**146.7**	***100%***

(1) Includes Mining, Other Services, Utilities, Transportation, Professional Services, Construction, Communication, Government and Education & Health Care

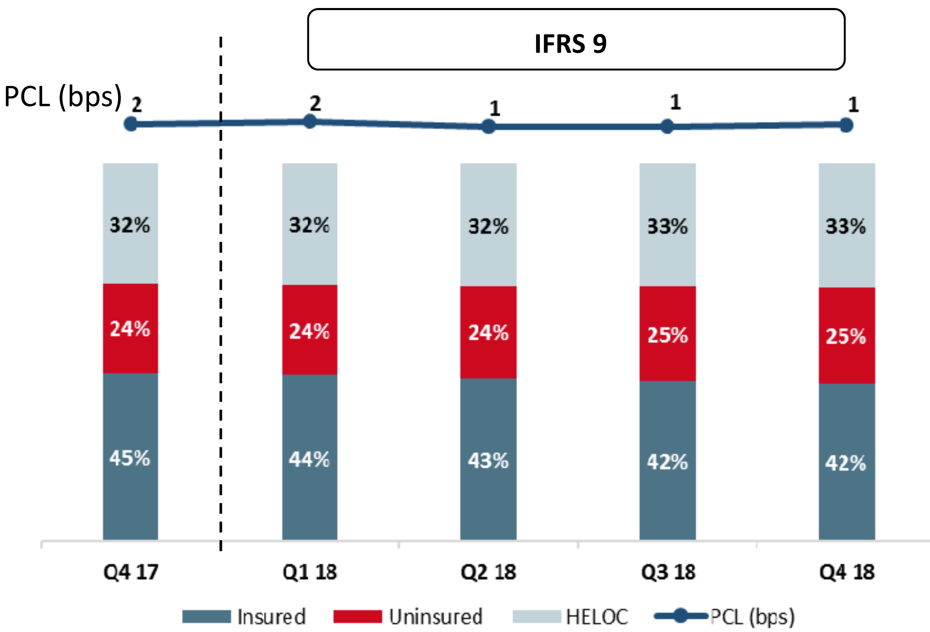
(2) Includes indirect lending and other lending secured by assets other than real estate.

HIGHLIGHTS

- ❑ Secured lending accounts for 92% of Retail loans
- ❑ Modest exposure to unsecured consumer lending (5% of total loans)
- ❑ Wholesale portfolio is well-diversified across industries

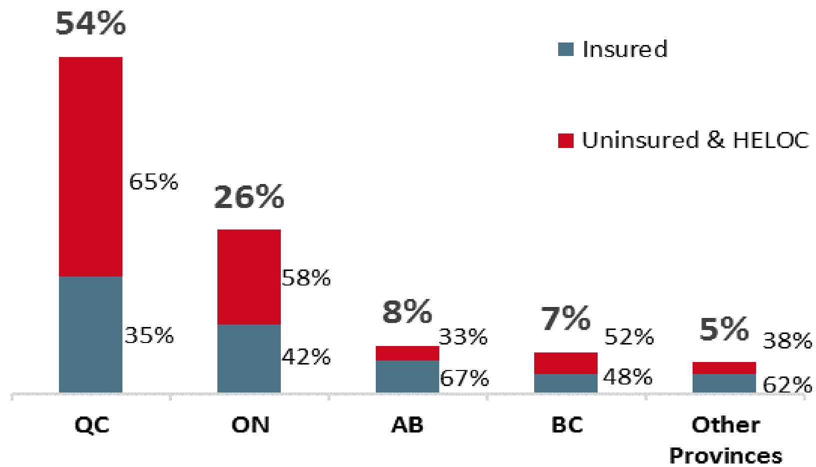
RETAIL MORTGAGE AND HELOC PORTFOLIO

CANADIAN RETAIL MORTGAGE PORTFOLIO DISTRIBUTION



DISTRIBUTION BY CANADIAN PROVINCE

As at October 31, 2018



QC	ON	AB	BC	Other Provinces
62%	53%	68%	48%	55%
Uninsured and HELOC - Average LTV (1)				

(1) Average LTV are updated using Teranet-National Bank sub-indices by area and property type.

HIGHLIGHTS

- Distribution across product and geography remained stable. Insured mortgages account for 42% of the total
- The average LTV(1) on the uninsured mortgages and HELOC portfolio was approximately 59%
- Uninsured mortgages and HELOC in GTA and GVA represent 9% and 2% of the total portfolio and have an average LTV(1) of 52% and 47% respectively

PROVISION FOR CREDIT LOSSES

PCL (millions of dollars)	Q4 18 (IFRS 9)		Q3 18 (IFRS 9)	Q2 18 (IFRS 9)	Q1 18 (IFRS 9)	Q4 17
	Stage 3	Total	Total	Total	Total	
Personal	40	41	35	45	44	36
Commercial	9	9	26	13	13	14
Wealth Management	2	2	-	-	1	1
Credigy	30	18	9	28	26	18
ABA Bank	2	4	3	3	3	1
Financial Markets	-	-	2	2	-	-
Other	-	(1)	1	-	-	-
Total Provisions	**83**	**73**	**76**	**91**	**87**	**70**

PCL (bps)	Q4 18 (IFRS 9)		Q3 18 (IFRS 9)	Q2 18 (IFRS 9)	Q1 18 (IFRS 9)	Q4 17
	Stage 3	Total	Total	Total	Total	
Personal	24	24	21	28	26	22
Commercial	11	11	30	16	16	17
Wealth Management	6	5	-	-	3	4
Credigy	195	116	61	186	167	117
ABA Bank	32	69	66	63	92	39
Financial Markets	-	-	4	3	-	-
Other	-	-	-			-
Total Provisions	**23**	**20**	**21**	**27**	**25**	**21**

HIGHLIGHTS

Stable credit performance in Q4:

- Provisions on impaired loans of 23bps, improved by 2bps due to lower Commercial PCLs
- Total PCLs of 20bps, improved by 1bp due to POCI recovery of $15M
- Excluding Credigy, PCLs on impaired loans remained low at 15 bps

Strong credit performance in FY2018:

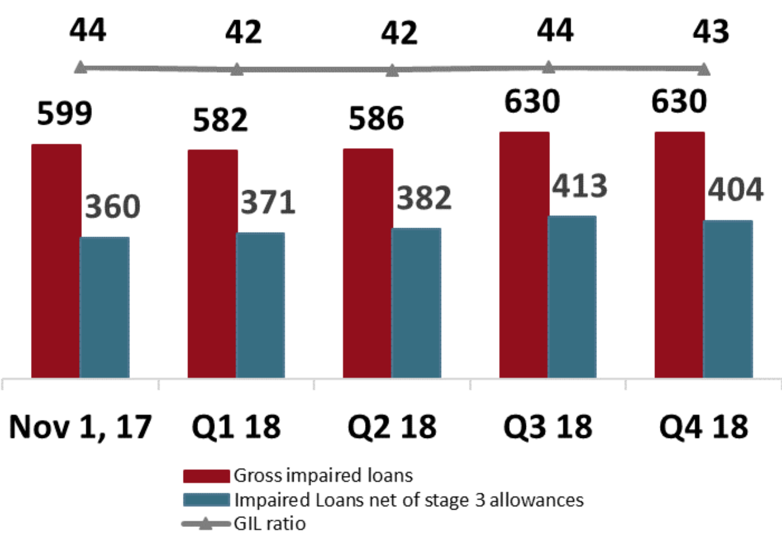
- PCL on impaired 23bps (15bps excluding Credigy)
- PCL on performing loans 2bps (3bps excluding Credigy)
- Total PCLs of 23bps

We maintain target range of 20-30 bps for 2019

IMPAIRED LOANS AND BA'S[1] AND FORMATION

(millions of dollars)

IMPAIRED LOANS AND BA'S



IMPAIRED LOANS AND BA'S FORMATION[2]

(millions of dollars)	Q4 18	Q3 18	Q2 18	Q1 18	Q4 17
	IFRS 9				
Personal	53	43	36	48	17
Commercial	(4)	48	30	8	(5)
Financial Markets	-	-	-	-	-
Wealth Management	5	1	2	2	2
Credigy	33	36	20	27	-
ABA Bank	2	4	-	4	(8)
Total	**89**	**132**	**88**	**89**	**6**

HIGHLIGHTS

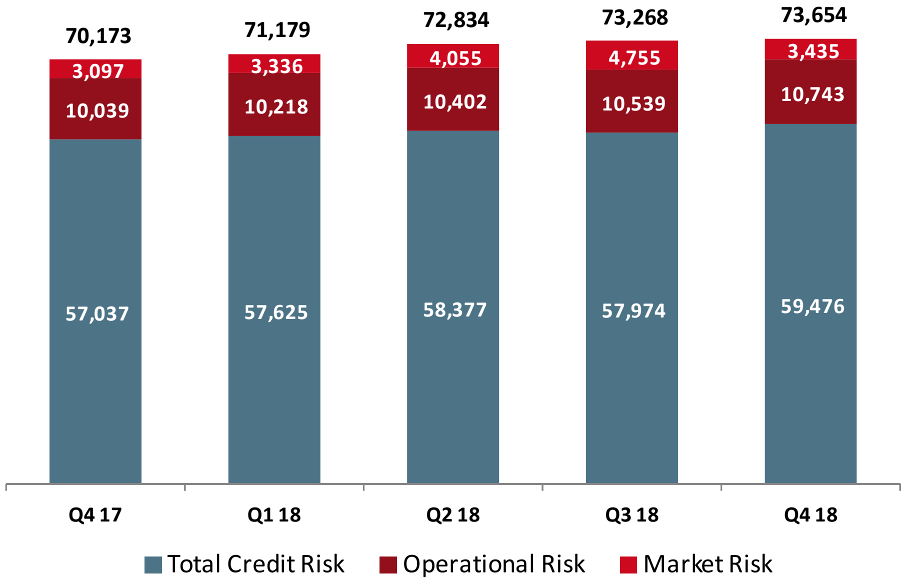
- GIL ratio of 43 bps, a decrease of 1 bp QoQ
- Lower formations primarily due to Commercial banking

(1) Under IFRS 9, impaired loans are all loans classified in stage 3 of the expected credit loss model. Those loans do not take into account purchased or originated credit-impaired loans.
(2) Formations include new accounts, disbursements, principal repayments, and exchange rate fluctuation and exclude write-offs.

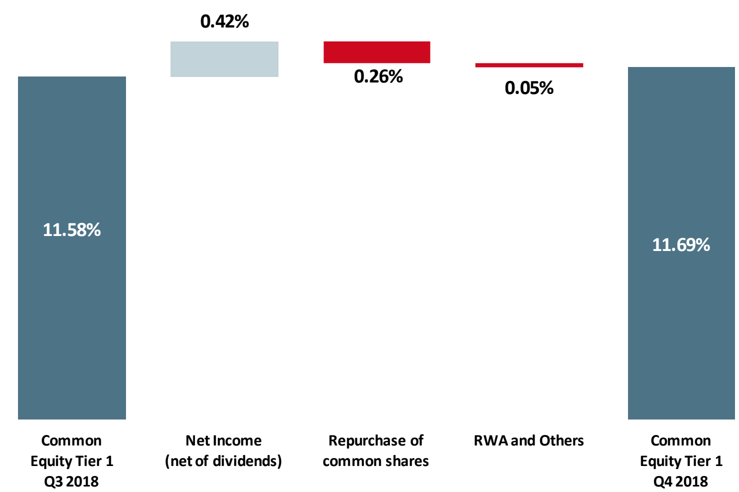
CAPITAL, LIQUIDITY AND FUNDING

STRONG CAPITAL POSITION

TOTAL RISK-WEIGHTED ASSETS UNDER BASEL III



COMMON EQUITY TIER 1 UNDER BASEL III EVOLUTION (QoQ)



HIGHLIGHTS

- Common Equity Tier 1 ratio at 11.7%
- Total capital ratio at 16.8%
- Leverage ratio at 4.0%
- Liquidity coverage ratio at 147%
- 3 million common shares repurchased in Q4-2018 (7.5 million for FY2018)

- Expect regulatory impact of approximately 25 bps on CET 1 in Q1-2019 (SA-CCR)

FUNDING STRATEGY

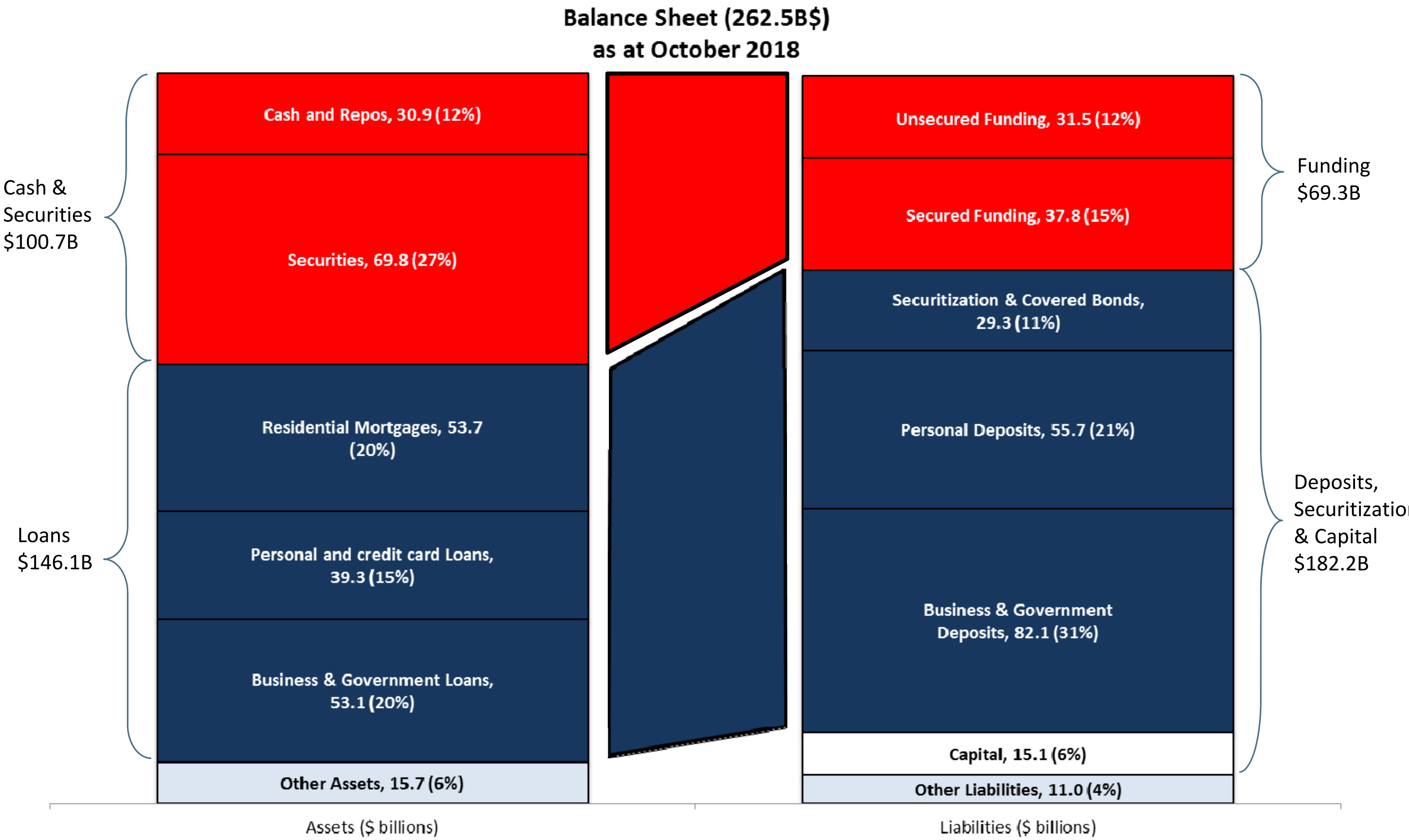
The key objectives of the NBC funding strategy are to:

- support the organic growth of the Bank through prudent liquidity and funding management, to withstand severe stresses;
- fund core banking activities with stable deposits and securitization;
- fund securities portfolio with secured and unsecured wholesale funding;
- limit short-term wholesale funding; and
- maintain an active access to wholesale funding markets, and ensure diversification.

NBC funding framework includes the following focus points:

- implement a diversified deposit strategy, which includes new initiatives, on a regular basis, to further increase the deposits balance;
- monitor and control liquidity risk exposure and funding needs across all the Bank's entities, business segments and currencies, using a well-developed funds transfer pricing system; and
- integrate the regulatory framework (OSFI liquidity guidelines and principles, Basel III Liquidity framework) in the day-to-day liquidity management and the long-term funding plan.

FUNDING STRATEGY



LIQUIDITY COVERAGE RATIO (LCR)

NBC average LCR: 147% (as of October 31, 2018)

- The LCR shows NBC's strong capacity to withhold a severe short-term stress scenario; being well above the 100% regulatory requirement and demonstrating the Bank's solid liquidity position;

- NBC's wholesale funding profile including securitization is well-positioned, considering a smaller portion of maturities lower than 12 months;

- NBC's long term profile of its wholesale funding allows the Bank to hold a more optimal liquidity cushion.

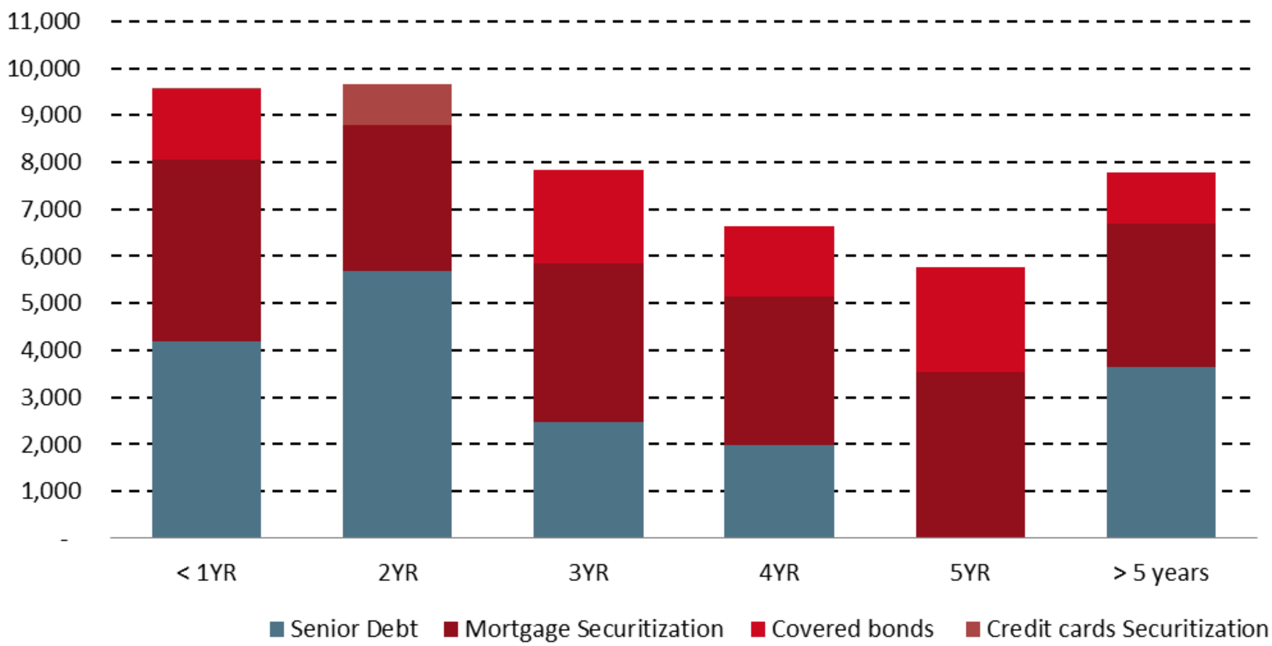
Additional information on the Bank's liquidity position can be found in pp. 75-83 of the 2018 Annual Report.

MATURITY PROFILE

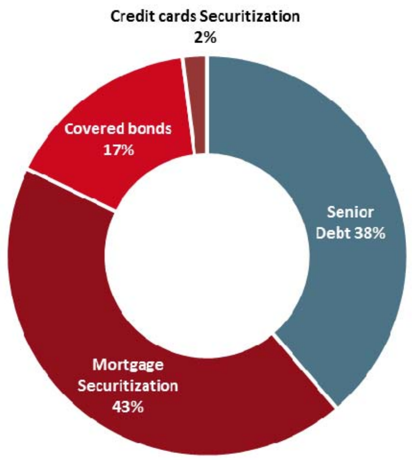
(C$ millions)

- Diversified funding by instrument, tenor, and currency

TERM FUNDING



TERM FUNDING



- Term Funding includes all negotiable products with terms at issuance greater than or equal to 1 year. Excludes capital issuances.
- Securitization includes Credit card securitization and Mortgage securitization. Mortgage securitization represents NBC participation into Canadian residential mortgages programs sponsored by a Canadian Federal Government Agency (Canada Housing Trust™).

DIVERSIFIED FUNDING PLATFORMS

Recent Selected Offerings

Currency	Principal (in millions)	Tenor	Product	Coupon	Maturity
Canadian					
CAD	625	1Y	FRN	1M CDOR + 12	Jun-19
CAD	Re-open to 1,250	5Y	Senior Unsecured	1.957%	Jun-22
Foreign					
Currency	**Principal (in millions)**	**Tenor**	**Product**	**Coupon**	**Maturity**
GBP	Re-open to 250	5Y	Covered Bonds	3M£LIBOR + 37	Sep-21
USD	250	3Y	Senior Unsecured	$3M LIBOR + 33	Nov-20
USD	1,000	3Y	Senior Unsecured	2.200%	Nov-20
EUR	750	7Y	Covered Bonds	0.750%	Mar-25
EUR	750	2Y	Senior Unsecured	3M EURIBOR + 50	Apr-20
EUR	750	5Y	Covered Bonds	0.25%	Jul-23

Securitization and Covered Bond Programs

- Canadian Mortgage Bonds (CMB)
- Canadian Credit Card Trust II (CCCT II)
- Legislative Global Covered Bond Program (conventional mortgages, CMHC-Registered Program)

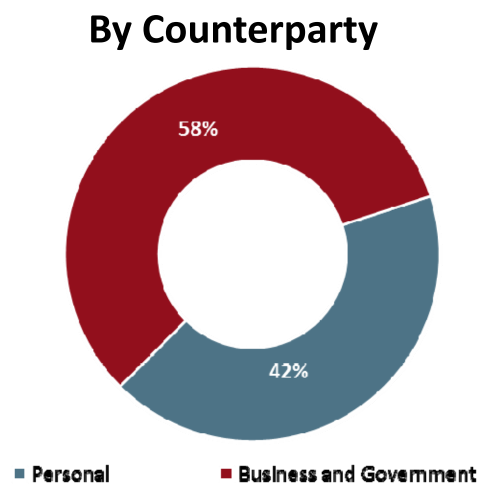
Unsecured Wholesale Funding Platforms

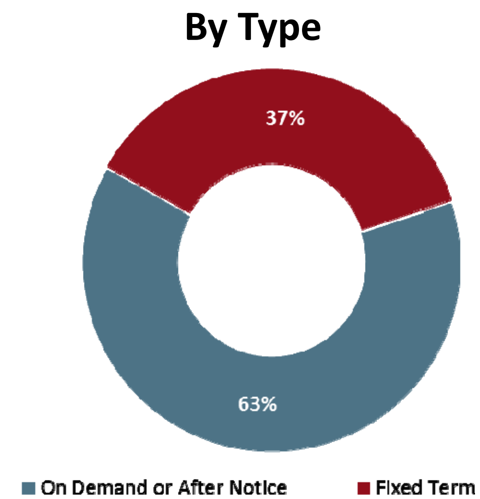
- Benchmark C$ Senior Unsecured
- US$ Senior Unsecured MTN program
- C$ MTN shelf
- US$ Commercial Paper programs
- Yankee CDs
- Euro MTN program

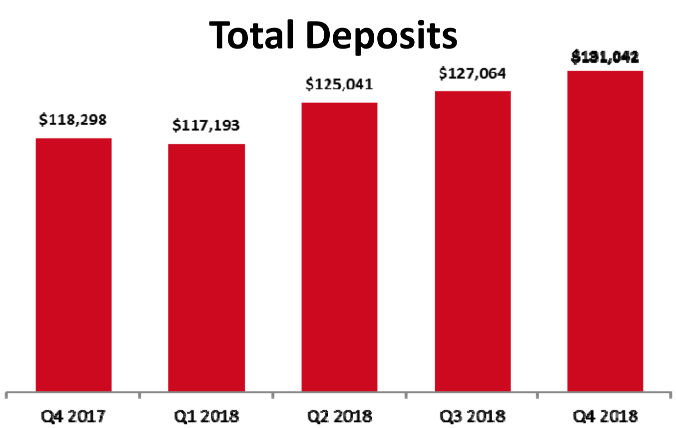
DEPOSITS BREAKDOWN

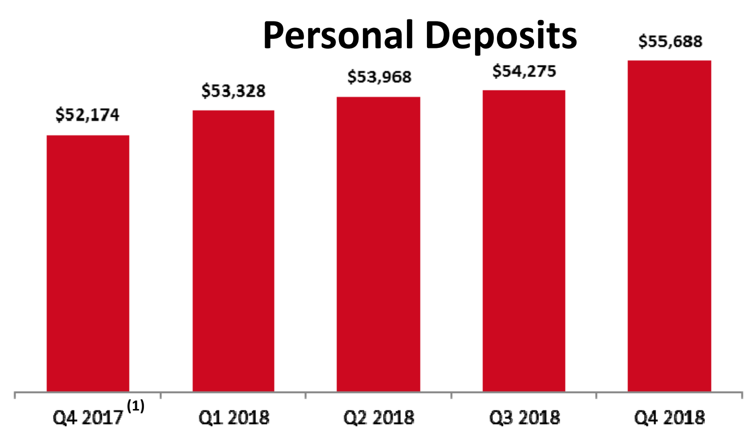
(C$ millions)

- Committed to deposit growth and diversification









(1) The Bank reclassified certain amounts presented in the *Deposits* item of the Consolidated Balance Sheet. As at October 31, 2017, a $1,544 million amount was reclassified from *Deposits – Personal* into *Deposits – Business and government.*

NBC CREDIT RATINGS

Credit Rating Agency	Short-term	Long-Term Non Bail-inable Senior Debt[1]	Senior Debt[2]	Outlook	Covered Bonds	Counterparty risk[3]
S&P	A-1	A	BBB+	Stable	----	----
Moody's	P-1	Aa3	A3	Stable	Aaa	Aa3
DBRS	R-1 (mid)	AA (low)	A (high)	Stable	AAA	
Fitch	F1	A+	A+	Stable	AAA	A+

(1) Includes Senior Debt issued prior to September 23, 2018 and Senior Debt issued on or after September 23, 2018 which is excluded from the Bank Recapitalization (Bail-in) Regime.

(2) Subject to conversion under the Bank Recapitalization (Bail-in) Regime.

(3) Moody's terminology is Counterparty Risk Rating while Fitch's terminology is Derivative Counterparty Rating.

TLAC AND CANADIAN BAIL-IN REGIME UPDATE

Total Loss Absorbing Capacity (TLAC)

In November 2015, the Financial Stability Board (FSB) finalized the international TLAC standard for all Global Systemically Important Banks (G-SIBs). On June 16, 2017, the Government of Canada published, in draft for public comment, regulations providing the details of the conversion, issuance and compensation regimes for bail-in instruments to be issued by the Canadian D-SIBs.

In the unlikely circumstances where OSFI has determined that a D-SIB has ceased (or is about to cease) to be viable, the Governor in Council may grant an order directing the CDIC to convert all or a portion of certain shares and liabilities of the D-SIB into common shares of that D-SIB.

The TLAC framework, which OSFI is extending to the 6 Canadian D-SIBs it supervises, is designed to ensure that each systemically important bank has sufficient loss absorbing capacity to support its recapitalization in the unlikely event of its failure.

Final regulations were published on April 18, 2018 and entered in force on September 23, 2018.

Canadian TLAC Ratios

To build that additional loss absorbing capacity, by November 1, 2021, all Canadian D-SIBs will be bound by:

- TLAC Ratio: 21.5% of Risk-Weighted Assets (RWA);
- TLAC Leverage Ratio: 6.75% of Total exposure.

In addition, all Canadian D-SIBs will be expected to hold buffers above the minimum TLAC Ratio, including the Domestic Stability Buffer (“DSB”, 1.5% of total RWA). Inclusive of the DSB as currently set, the D-SIBs’ supervisory target risk-based TLAC Ratio is expected to be 23.0%, when into effect on November 1, 2021.

TLAC AND CANADIAN BAIL-IN REGIME UPDATE

What are the key features of bail-in-able debt instruments?

- ✓ Senior unsecured debt instruments with original term > 400 days issued after the implementation date
- ✓ Issued by the D-SIB
- ✓ Tradeable and transferable (i.e. with a CUSIP or an ISIN)
- ✓ Convertible into common shares of the D-SIB upon Canadian regulators' discretionary decision that the D-SIB has ceased or is about to cease to be viable

What will NOT be bail-in-able debt instruments?

- × Legacy senior unsecured debt instruments, issued prior to the implementation date
- × Short-term instruments with an original term less than 400 days
- × Deposits, Covered bonds, Derivatives, Structured notes, Secured instruments

Specificities of the Canadian Bail-in Regime

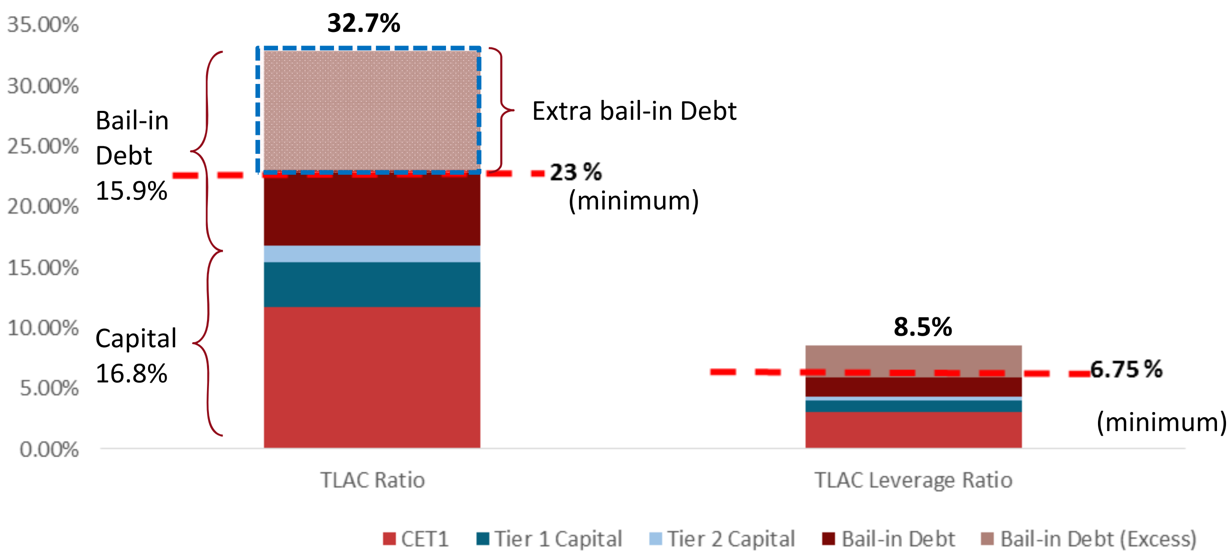
- ❑ Clear regulatory description of bail-in-able instruments
- ❑ No Creditor Worse Off Principle through the CDIC Compensation Regime
- ❑ Grandfathering of Legacy Senior unsecured debt
- ❑ Convertible into common shares of the D-SIB upon Canadian regulators' discretionary decision: no contractual trigger
- ❑ No pre-determined bail-in conversion ratio
- ❑ In a liquidation scenario, bail-in debt ranks *pari passu* with all other senior unsecured liabilities.

TLAC Ratios

Starting Q1 2022, all D-SIBs will be required to maintain a TLAC risk-weighted ratio of at least 21.5% and a TLAC leverage ratio of 6.75%.

In addition, all Canadian D-SIBs will be expected to hold buffers above the minimum TLAC Ratio, including the Domestic Stability Buffer ("DSB", 1.5% of total RWA). Inclusive of the DSB as currently set, the D-SIBs' supervisory target risk-based TLAC Ratio is expected to be 23.0%, when into effect on November 1, 2021.

Pro Forma TLAC Ratios as of Q4 2018 by rolling upcoming maturities[1]



- Upcoming maturities are sufficient to be rolled into bail-in debt: approximately $12B of Senior debt maturing between Q1 2019 and Q4 2021.
- By rolling existing maturities, NBC would exceed the minimum TLAC regulatory ratios by Q1 2022.
- NBC will optimize its funding activities to manage its TLAC ratios to a desired level.

(1) Numbers are estimated based on outstanding Legacy Senior debt which would theoretically qualify as TLAC-eligible pursuant to the TLAC criteria, as if these were applicable.

APPENDIX

LEGISLATIVE COVERED BOND PROGRAMME

Programme size	CAD$ 12,000,000,000
Outstanding benchmark covered bonds	€1B 1.25% 12/18; €1B 1.5% 03/21; €1B 0.5% 01/22; £250M 3M£LIBOR+37 09/21; €750M 0.0% 09/23; €750M 0.750% 03/25 and €750M 0.250% 07/23
Ratings	Aaa / AAA / AAA by Moody's, Fitch and DBRS
Asset percentage minimum and maximum	80-93%
Currency	Any
Guarantor	NBC Covered Bond (Legislative) Guarantor L.P.
Listing	London, U.K.
Law	Canadian Legislative Framework (*National Housing Act*)
LTV	80% Maximum
Collateral pool eligibility	Canadian uninsured residential mortgage loans
Tenor	Any Allowed
Coupon	Fixed / Float
Bullet Type	Soft Bullet

CANADA: Housing Market

COMMON MORTGAGE CHARACTERISTICS

- Full recourse to both property and personal covenants, except in Alberta and Saskatchewan.
- Interest payments are not tax deductible on primary residence.
- Mandatory individual insurance under Bank Act when LTV >80% (no 0% down payment or LTV > 100%).
- Possibility to purchase portfolio insurance for loans with LTV ≤80% (subject to certain caps and conditions).
- Teaser rates and upfront fees are not permitted.
- Prepayment penalties in case of early prepayment or rate renegotiation.
- Balloon mortgages with shorter loan term than the amortization period; typical mortgage commitment of five years.

"Elevated household indebtedness, housing market imbalances and the potential for cyber attacks to disrupt the highly interconnected financial system remain the key vulnerabilities affecting the Canadian financial system. While there are some continued signs of easing, household vulnerabilities remain elevated and are expected to persist for some time.

The Canadian economy is operating close to its potential. Labour income growth is solid, supporting households' ability to service their outstanding debt, albeit in an environment of rising global interest rates.

As anticipated in the November 2017 Financial System Review (FSR), monetary, macroprudential and other policy measures have led to a slowing in household credit growth and have moderated activity in the housing market. Tightened mortgage standards are also improving the quality of new mortgage lending, leading to fewer households becoming highly indebted. Although the market for single-family homes in Toronto has cooled, imbalances in condominium markets have continued to grow, particularly in Vancouver and Toronto and their surrounding regions. […]

The overall risk to the financial system is broadly unchanged since November 2017. "

(Bank of Canada, *Financial System Review, June 2018*, p. 1)

CANADA: Housing Market

Post 2008 crisis, the Canadian government has intervened several times in order to stabilise the Housing market.

Changes in government-backed mortgage insurance rules on High ratio mortgages (LTV > 80%) includes the following:

- Maximum amortization period was progressively reduced from 40 years to 25.
- Loan-to-value limit for new mortgages went from 100% to 95%, and from 95% to 90% for the portion of house prices above $500,000.
- CMHC insurance limited to one owner occupied property per borrower.
- Insurance is no longer available on refinanced mortgages.
- Insurance now limited to homes with a purchase price of less than $1 million.
- Qualifying debt-service ratios GDS/TDS were fixed at maximum of 39/44; moreover, those ratios are now based on the higher of the mortgage contract rate and the Bank of Canada conventional five year fixed posted mortgage rate.
- Insurance premiums were significantly increased.

Changes in government-backed mortgage insurance rules on Low ratio mortgages (LTV <= 80%) includes the following:

- Portfolio insurance is no longer available for HELOCs.
- Portfolio insurance is no longer available on refinanced mortgages.
- Rules applicable for high-ratio mortgages were extended to portfolio insurance: maximum GDS/TDS, qualifying rate, Beacon and amortization.

Changes in OSFI guidelines regarding Canadian housing finance:

- Guideline B-20, for federally regulated financial institutions (FRFI), outlines expectations for prudent mortgage underwriting and limits the LTVs for HELOCs (the non amortizing component of a residential mortgage is limited to a maximum LTV of 65%); the recent revision of B-20, implemented on January 1 2018, features a 2% add-on on the contract rate of uninsured mortgage for the purpose of computing debt-service ratios.
- Guideline B-21 outlines applicable underwriting criteria for mortgage insurers.
- For FRFI, implementation of higher capital requirements in periods when house prices are high relative to household income and/or house prices are increasing rapidly.
- For mortgage insurers, implementation of a new risk-sensitive capital framework. As a consequence, portfolio insurance cost increased significantly.

Two provincial governments have also intervened to cool down their respective housing markets:

- Specific areas of British-Columbia levy an extra 20% land transfer tax on residential real estate purchases by foreign nationals or foreign-controlled corporations and a 1% tax for vacant homes in the Vancouver area.
- Ontario charges a 15% tax on the purchase by foreigners of residential property located in the Greater Golden Horseshoe (Toronto) area.

QUESTIONS?

Mr. Jean Dagenais, Senior Vice-President, Finance
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Mr. Jean-Sébastien Gagné, Treasurer
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Additional information can be found via these web links:

https://www.nbc.ca/en/about-us/investors/investor-relations.html

https://www.nbc.ca/en/about-us/investors/investor-relations/capital-debt-information.html

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